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THE PRESIDENT HAS SEEN.
THE WHITE HOUSE
WASHINGTON

December 5, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
BERT CARP
SUBJECT: Secretary Califano Meeting on
Elementary and Secondary Education

The Elementary and Secondary Education Act of 1965, the basic authorizing legislation for Federal elementary and secondary educational programs, expires next year. According to Secretary Califano, the purpose of Tuesday's meeting is to review HEW's tentative legislative plans with you and secure your approval for consultation with key members of Congress on these plans, while OMB and my staff review the proposals prior to formal submission to you.

Jim McIntyre and I both urge you not to grant such approval at the meeting. Instead, you might ask the Secretary to go over these proposals with Jim and myself, and for the three of us to submit a memorandum to you should there be disagreement, before beginning consultation with Congress.

Secretary Califano's basic memorandum is 43 pages long, and we have had it only since Sunday night. The following represents our best effort at a summary, but it may reflect some misunderstandings. The Secretary identifies 5 themes under which he groups his programmatic changes.

THEME 1 -- PROMOTING ACCESSIBILITY AND EQUALITY OF
EDUCATIONAL OPPORTUNITY

Changes in Title I of ESEA (Compensatory Education)

- o Add a new part to Title I which would provide additional funding for compensatory education to school districts with large numbers (5,000) or large portions (20%) of poverty children. Cost: \$664 million in FY 79; annual growth of \$125 million through 1982.

- o Establish a new Federal program providing matching funds for state compensatory education programs that meet basic Federal criteria. Cost: \$0 in FY 79; \$100 million in FY 80; \$200 million in FY 81; \$380 million in FY 82.
- o Establish a new Title I demonstration program to encourage local experimentation on a variety of approaches to increasing the quality of compensatory education -- such as parent involvement, use of summer schools and full-year programs. Eighty percent of the funding would be distributed to local school systems by the States and 20 percent would be at the discretion of the Commissioner of Education. Over three years the existing Follow-Through program would be merged with this new program. Cost: \$0 in FY 79; \$60 million in FY 80; \$75 million in FY 81, and \$90 million in FY 82.
- o Permit schools with 80 percent or more Title I-eligible children to use funds to upgrade the entire school program (rather than being required to provide separate services to the Title I children as under present law). Cost: no additional cost.
- o Increase local school districts' flexibility in selecting which target schools would be served, and to provide greater discretion over the use of funds at the local level where Federal compensatory education programs are combined with substantial State compensatory education programs. Cost: no additional cost.
- o Increase the role of the states in ensuring compliance with program requirements at the local level. Cost: \$15 million in FY 79.
- o Consolidate the Title I special education program for handicapped children in institutions with the Education for All Handicapped Children Act.

Comments

1. We strongly support the concept of serving all children (not just Title I-eligible children) in schools with concentrations of over 80 percent Title I-eligible students. Since Title I is focussed on children who are both poor and below average in performance, the present program provides no help to poor children of high ability.

2. I believe the urban concentration program would be a popular and visible centerpiece for your education message. However, I would urge consolidation of this proposal with the proposal to match State compensatory education programs, thus reducing the total cost. The result would be a 50-50 Federal/State match for compensatory education grants to school districts with concentrations of low-income children. States with qualifying compensatory education programs of their own could use these funds for the match.
3. Consolidation of the handicapped programs makes sense, but may be highly controversial.
4. Expanding the State role in enforcing program requirements clearly makes sense, however will require greater analysis and civil rights safeguards.

Bilingual Education

- o Secretary Califano proposes 3 major changes in the bilingual education program.

The first change would shift emphasis from bilingual/bicultural education (designed to develop full competency in both English and the language and culture of the child's heritage) to obtaining competency in English through culturally sensitive means.

The second change would limit each grant to a 5-year duration, during which the Federal share would gradually be reduced and the State and local share increased.

The third change would be to increase research, evaluation and teacher training in this area. Cost: \$15 million in FY 79 for research, evaluation and teacher training.

Comment

We believe that a strengthened focus on teacher training and on research and evaluation makes sense, but have no comment on funding levels at this time. We would note that an increased emphasis on English would be highly controversial with the bilingual constituencies. While it may make programmatic sense, given limited resources, to focus more on developing competence in English, Secretary Califano's proposal flies in the face of cultural pride. We think the Secretary's suggestion that extensive Congressional consultation is needed is correct.

Emergency School Aid Act

ESAA was enacted in 1972 to aid school district desegregation taking place voluntarily or, under court or HEW order. Secretary Califano proposed 4 major changes:

First, to phase down the basic State grant program, presently allocated by a formula, since many of these funds go to southern school districts which have been desegregated for some time.

Second, to provide for multi-year rather than annual-grant commitments in order to permit better planning.

Third, to provide new incentives for States to conduct their own school desegregation programs, and to provide planning funds to States and local school districts for metropolitan-wide desegregation plans.

Fourth, to provide additional funding for magnet schools, particularly at the high school level. (A magnet school is a school with a special educational curriculum designed to attract students from diverse racial backgrounds from throughout a school district.)

Cost: It is unclear from the memorandum whether funds above the existing ESAA budget (\$276 million) would be required.

Comment

Reducing the ESAA State grant program in order to shift funds from long-desegregated southern school systems to newly desegregated northern school systems is likely to be highly controversial in Congress. This is especially so since many of these southern schools have so-called "2nd generation" problems, such as segregated classrooms within desegregated schools, and resegregation.

In addition, incentive funding for metropolitan desegregation is bound to be highly controversial. We would be interested in knowing whether HEW foresees enough interest in this initiative to justify the potentially severe political reaction.

THEME 2 -- STIMULATING IMPROVEMENTS IN THE QUALITY OF EDUCATION

Secretary Califano has proposed a package of demonstration programs designed to increase the quality of instruction

through an "Educational Quality Act." The proposed Act would gather a number of existing small programs into 4 broad authorities:

- (1) Basic Skills. This would include the existing Right to Read Program broadened to deal with all basic skills, and a new initiative in educational testing. (No detail supplied.)
- (2) Special Skills. This would incorporate existing programs in Arts Education and Environmental Education, and a new initiative in "Global Perspectives." (No detail supplied.)
- (3) School Reform. Four initiatives are grouped under this heading:
 - (a) School-Home Program, a new program to encourage parental efforts in the home.
 - (b) School-Community Programs combining existing programs for Community Schools, Drug Abuse Education, Magnet Schools, and Consumer Education, and adding 2 new initiatives -- Integrated Service Schools and Adolescent Pregnancy. (No further details supplied.)
 - (c) School-Work Programs combining existing career education programs with a better link to the new youth employment title of CETA.
 - (d) Gifted and Talented Student Programs (existing).
- (4) Teacher Development. This area would have 2 basic components:
 - (a) Teacher Training, combining the existing Teacher-Corps and Teacher-Centers programs with a new program for Teaching Development Coordination; and
 - (b) Teaching Resources, combining the existing Educational TV program with new programs for Library Demonstrations and Technical Demonstrations.
- (5) Discretionary Accounts. The Commissioner of Education would be provided a discretionary account for program development in areas outside the 4 clusters described above, and a second fund for innovative proposals submitted by teachers or individual schools (rather than school districts).

Cost: The existing programs are funded in FY 78 for \$166 million; HEW has requested \$210 million for these programs in FY 79, and would request an additional \$92 million upon passage of the new authorities.

Comment

The HEW memorandum does not supply sufficient detail to permit analysis of these proposals, or to tell how much real consolidation would take place. To the extent small demonstration programs actually are consolidated, some opposition from their Congressional sponsors can, of course, be expected. We believe that substantial real consolidation of these programs is highly desirable. We are, however, skeptical of the proposed new initiatives.

THEME 3 -- EXTENDING THE SCHOOL TO THE FAMILY AND OTHER SOCIAL INSTITUTIONS

Secretary Califano proposes to use the authorities described under Theme 2 to promote: parental involvement in helping children at home; use of schools to deliver drug abuse education; use of schools as contact point for health and welfare services (similar to the Milliken project); creation of linkages between schools and the work place; and creation of links between schools and universities, colleges, and cultural institutions.

Comment

We cannot, at this time, evaluate the extent to which these proposals could be carried out through the authorities described under Theme 2, but they seem to be desirable areas for demonstration projects.

Cost: No additional cost beyond those outlined under Theme 2.

THEME 4 -- PROVIDING LIMITED FINANCIAL SUPPORT FOR STATE AND LOCAL ACTIVITIES

Essentially, Secretary Califano proposes reduced support for Impact Aid and Vocational Education, and increased support for adult education and for research and demonstration projects to equalize per-pupil expenditures among school districts within the same State.

1. Impact Aid -- Secretary Califano proposes an FY 79 reduction in Impact Aid (including elimination of payments for children whose parents work on Federal property outside the county in which the school is located) and the further step in 1980 of eliminating Impact Aid payments for public housing children. (Note: Impact Aid will cost approximately \$800 million in FY 79 without reform; HEW estimates savings of \$86 million in 79, and \$136 million in FY 80.)
2. Vocational Education -- Secretary Califano proposes elimination of a \$14 million program for Consumer and Homemaker Education.
3. Adult Education -- Secretary Califano proposes to reorient the Adult Education Act from the goal of high school equivalency to the goal of functional literacy; to improve the delivery system by better links to the business community and community action organizations; to fund States to conduct literacy surveys; and to conduct a research, development, dissemination and evaluation effort. Cost: \$0 in FY 79; \$15 million in FY 80; \$20 million in FY 81.
4. Equalization -- Secretary Califano proposes \$10 million "to begin a concentrated Federal effort to develop a long-term strategy for achieving state school finance reform through school finance research, technical dissemination activities, and grants to states to enable them to continue developing solutions."
5. Private Schools -- Secretary Califano essentially proposes better enforcement of existing requirements that public school systems receiving Federal funds allow private school children to participate in the Federal programs after school or in the public schools.

Comment

HUD opposes eliminating the Impact Aid for public housing for children; we will also be addressing this issue in the context of urban policy. In addition, while we have not had a chance to study the HEW Impact Aid proposal in detail, we question as to whether a way could not be found to achieve greater savings in the basic program.

We have no objection to the Vocational Education recommendations and no comment, at this time, on the Adult Education proposal.

We seriously question HEW's proposal to spend \$10 million studying Federal approaches to school finance equalization. If visible, this initiative is almost certain to encourage future demands for general education aid which we will be unable to afford, at least in the near term.

With respect to private education, we question whether HEW's proposal really meets the thrust of the campaign commitment to do everything possible within the law to assist parochial schools.

THEME 5 -- FORGING A NEW FEDERAL/STATE PARTNERSHIP

In addition to the initiatives providing greater State involvement described above, Secretary Califano proposes emphasizing Commissioner Boyer's on-going efforts to emphasize the Administration of the Office of Education by (1) streamlining the structure, (2) improving the regulation process, (3) simplifying application procedures, (4) tightening the contract and grant process, (5) cutting back paperwork, and (6) improving accountability.

Comment

No detail is given. However, we are under the impression that Commissioner Boyer is doing an excellent job in this area.

BUDGET OVERVIEW

Secretary Califano describes items in his FY 79 budget request as follows:

- Equal Opportunity and Access: an increase of almost \$1 billion (25 percent) to a total of \$4.9 billion.
- Educational Quality: an increase of \$200 million (37 percent) to a total of \$743 million.
- General Financial Assistance: a decrease of \$70 million (5 percent) to a total request of almost \$1.5 billion. This includes an \$86 million savings from the proposed reform of Impact Aid.

Note: Adoption of the entire program would imply significant increases in the out-years. We will work with OMB on an analysis. Some of the increases might be justified as part of our forthcoming urban policy, such as the increase in funding for Title I of ESEA for districts with large numbers or percentages of poor children.

THE WHITE HOUSE

WASHINGTON

December 5, 1977

Meeting with Secretary Califano

Tuesday, December 6, 1977

9:30 a.m.

The Cabinet Room

From: Stu Eizenstat

Jack Watson



I. PURPOSE

For an overview of the elementary and secondary reauthorization decisions which have been tentatively made, and to indicate future directions for federal policy.

II. BACKGROUND AND PARTICIPANTS

- A. Background: All of the major elementary and secondary education legislation expires next year; this includes education for the disadvantaged, desegregation, and bilingual education. The Congress has been holding hearings regularly since last Spring. Both houses have begun work on their bills to be marked-up in January or February.

The Department of Health, Education and Welfare has been working on this expiring legislation since last Spring. Although we have seen agency and OMB working papers, we did not receive their final proposals until Sunday evening.

- B. Participants: Secretary Califano, Ben Heineman, Mary Berry, Ernest Boyer, Jim McIntyre, Bo Cutter, Sue Woolsey, Stu Eizenstat, Jack Watson, Bert Carp, Beth Abramowitz.

THE WHITE HOUSE
WASHINGTON

12/5/77

Mr. President:

The HEW memo is 43 pages long, not including tabs. It was received at the White House Sunday night, giving Stu's staff no time to prepare a summary.

I recommend that you ask Secretary Califano always to prepare an executive summary for memos of this length.

Secretary Califano recommends that you read pp. 15-37 and 42-3 if you are unable to read the entire 43 pages.

Rick

III. RECOMMENDATIONS

1. That this meeting be for information purposes only.
2. That no decisions on the HEW proposals (and no decision to permit Congressional consultation) be made until OMB and the Policy Staff review the proposals. OMB agrees with these recommendations.

THE PRESIDENT HAS SEEN.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

December 3, 1977

Bring Suppts in?

MEMORANDUM TO THE PRESIDENT

FROM JOE CALIFANO

The attached memorandum and the briefing on education are designed to elicit your tentative views. While I have had many conversations with Carl Perkins, Clai Pell and others interested in elementary and secondary education on the Hill, as well as some of the interest groups, we need to do a much more detailed testing of the political water before making final decisions. But I do not want to go any further until I have a sense of your views.

The basic impact of the program we propose should put you in the position of being the President who focused on:

- Quality in elementary and secondary education
- The relationship of the school to the family, the job, and the community.

The thrust of the proposed Educational Quality Act, the emphasis on magnet schools, the focus on basic skills and competency testing and the demonstration projects to integrate the school with the family, the employer, and community services are designed to achieve that goal.

In addition to quality, the further concentration on poor children in urban and rural areas can also be an expression of your desire to help, with limited resources, those most in need.

Finally, the programs provide additional input for teachers and should be well received by them.

Much of what we propose should bring you political applause from the Congress and the elementary and secondary education community, including teachers and school administrators. However, some elements are controversial, notably the proposals to trim back the impact aid program, to seek a cap or phase-out for the State apportionment component of the Emergency School Aid Act, and to focus the bilingual education program on teaching children English, rather than on teaching cultural background.

It is not necessary for you to read the detailed material at the tabs to appreciate the programs or the issues involved. The tab material is more for the benefit of your staff and OMB.

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THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

December 3, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: JOE CALIFANO

SUBJECT: ELEMENTARY AND SECONDARY EDUCATION POLICY

I. INTRODUCTION

A. Reauthorization Backdrop

HEW's elementary and secondary education legislation is up for reauthorization next year. These authorities, which will be described in greater detail below, include compensatory, bilingual, handicapped, emergency school aid, adult and impact aid programs. Appropriations for these programs were approximately \$6 billion in FY 78, out of a total of \$10 billion in HEW's Education Division (the other \$4 billion is in higher education). Government-wide funding for education totals approximately \$25 billion.

Your legislative proposals in this area will set the Administration's elementary and secondary legislative agenda for at least your first term. And they will be your first major statement as President about education generally and about the Federal role. After eight years of Nixon-Ford neglect, the education community is looking to you for leadership.

Your elementary and secondary package should be previewed for the Congress in the next month, and the actual pieces of legislation should be sent to the Hill by the end of January or early February. The relevant subcommittees (Pell in the Senate and Perkins in the House) have already established schedules for elementary and secondary reauthorizations, and these include hearings at which I must testify in February and March.

In preparing the reauthorization package, we have consulted widely. At the suggestion of the Vice President, we held 51 regional outreach hearings with parents and teachers; almost 2,000 individuals presented testimony. A public hearing was held in Washington in July that was attended by representatives of 70 national, State and local public authorities and interest groups. My staff has also met in detailed sessions with 25 top interest groups. And we have been in informal -- though not detailed -- contact with relevant Members and Congressional staff.

B. Purpose of Meeting

I hope to accomplish three objectives in our one-hour briefing with you:

First, to describe the existing and emerging problems in elementary and secondary education;

Second, to describe HEW's present elementary and secondary role; and

Third, to provide you with the outlines of our proposed elementary and secondary reauthorization package.

We are not seeking approval from you at this time; obviously, the legislation must move through the formal EOP clearance process. Nonetheless, we are under tremendous pressure from the Hill to share our present thinking, and there are a number of proposals that, while solid on the merits, will require political testing -- and probable modification -- before they are finally proposed by you.

Accordingly, we seek any guidance that you may have before we begin testing our ideas with the Congress.

I should note that we have adopted a phased funding strategy, so that, except for the Title I concentration provision, few of the legislative proposals we will send to the Hill next year will have any impact on the FY 79 budget.

C. Summary of the Proposals

Our elementary and secondary legislative proposals are grouped around five themes and may be briefly summarized as follows:

- Continued strong commitment to access and equal opportunity for disadvantaged, handicapped, language-limited, Indian and minority students through major service or demonstration programs.
- Systematic exploration, through research and demonstration, of newly emerging issues broadly grouped around the concept of quality -- basic skills, teacher development, educational technology -- with the aim of developing more comprehensive programs in 1980 or during the first year of your second term.
- Systematic exploration, through research and demonstration, of newly emerging issues grouped around the concept of relating schools to other social institutions -- schools and the employment experience, schools and other social services, parental involvement in educating their children -- again with the aim of developing more comprehensive programs in three years as our knowledge base and the state of the art improve.
- Reassessment of the Federal government's involvement in general school finance, with reductions in some areas (impact aid, vocational education) and the charting or exploration of new directions in others (adult education, private education, equalizing expenditures between school districts).
- Forging a new Federal-State partnership, through incentives, reduced paperwork, and greater flexibility, that encourages States to help carry out Federal priorities where Federal resources cannot meet total needs.

As will also be discussed below, these legislative proposals must be seen in the context of our effort to improve the management and administration of HEW's education programs.

D. Subsequent Presidential Involvement

Given the shortness of time and the quantity of material we will be covering on Tuesday, you may want subsequent memoranda or briefings following that meeting. Assuming that you give us

a general go-ahead and assuming further that the legislation is approved within the next 30-45 days, a Presidential message should go to the Congress outlining proposals for reauthorizations in the context of a broad discussion of elementary and secondary education.

II. PROBLEMS IN ELEMENTARY AND SECONDARY EDUCATION

The last decade has been a difficult one for students, teachers and administrators in elementary and secondary schools. During this period, the demands placed on schools by society -- growing drug use, changing sexual mores, an upswing in school crime, greater youth unemployment and more TV -- have increased while the perception that schools are not educating all children to a basic level of competence has grown more widespread. In combination, these forces have eroded confidence in our schools and produced a siege mentality among many educators.

A. A Snapshot of Elementary and Secondary Education

Districts

- In 1975 there were approximately 16,000 local school districts. However, most are small -- more than three-fourths had enrollments of fewer than 2,500 pupils.

Enrollments

- Total enrollment in public and private elementary and secondary school was 50 million in 1976-77.
- Of these, 34.2 million (68 percent) are elementary students and 15.8 million (32 percent) are secondary students. 44.4 million (89 percent) are public school students.

Expenditures

- Total expenditures for elementary and secondary education was an estimated \$81.9 billion in 1976-77 with \$73 billion spent in the public schools.

- Of this public total, about 9 percent (\$6.4 billion) comes from Federal sources, 43 percent (\$31 billion) from State sources, and 48 percent (\$35.5 billion) from local sources.
- State governments are picking up an increasing share of school costs (35 percent in 1960 and 43 percent in 1977), easing pressures on the local property tax.
- Per pupil expenditures in public schools were \$1,390 in 1975-1976 (with a low of \$881 in Arkansas and a high of \$2,179 in New York).

Teachers

- The teacher surplus continues. There are today over 2.1 million public school teachers. Approximately 70,000 prospective teachers graduated in the Spring of 1977 and failed to find employment in the classroom.
- Public school teacher salaries increased rapidly in the late sixties and early seventies from an average \$6,830 in 1966 to \$12,520 in 1976. Increases have slowed as salaries have approached comparability with other professions.

Education Outcomes:

- Job opportunities continue to show a strong relationship to years of schooling completed.
 - 18-24 year olds with less than 4 years of high school had a 50 percent greater chance of being unemployed than high school graduates.
 - The expected lifetime income for male workers completing college is about 50 percent greater than those who only completed high school.

- In terms of educational attainment, nonwhites have made demonstrable gains between 1960 and 1975. Minority high school graduates doubled and their college entrance rates are now nearly equal to those of non-minority graduates.

Public Opinion About Schools:

- More than half the public say they believe the country is spending too little on education.
- There is widespread concern about whether schools are doing a good job: more than half the adults with children in schools would prefer more attention devoted to teaching basic skills and enforcing strict discipline.

B. Problem: Equal Opportunity and Access: Since the mid-sixties, guarantees and commitments of equal educational opportunity have been greatly expanded to encompass many new categories of discrimination.

- Title VI of the Civil Rights Act prohibited school segregation and discrimination on the basis of race, color, and national origin. The proportion of isolated minority children (in schools with less than 10 percent non-minority enrollments) decreased from 53 percent in 1968 to 33 percent in 1974. However, over 60 percent of minority pupils were attending schools of over 50 percent minority in 1974.
- The Supreme Court in 1974 in Lau vs. Nichols affirmed the requirement of special instruction for children of limited English speaking ability. Estimates of the number of children range from 1.3 to 3.6 million with the cost of full service (at \$375 per child) amounting to as much as \$1.35 billion.

- The Vocational Rehabilitation Act of 1973 extended protection to the educationally handicapped as did the Education for All Handicapped Children Act of 1976. Of the 5.5 million children estimated as potentially eligible for services, 3.8 million were being served to some extent in FY 77.
- During the 1970's a number of State court decisions have required elimination of large per-pupil spending differences across districts, although the U.S. Supreme Court has refused to find unequal expenditures a violation of the Constitution. Twenty States have since passed some form of equalization legislation. However, to raise low spending districts to the levels of high spending ones in all States would cost as much as \$12 billion.

C. Problem: Quality: There is substantial parental and public concern about the education our children are receiving:

- Test scores in basic skills have been falling; between 1967 and 1976 verbal scores on the College Board entrance examination have dropped by more than 8 percent.
- Gains during elementary school years by the disadvantaged are lost in subsequent years -- and during the summer months.
- Violence and vandalism increased in the Nation's schools from the early sixties to the seventies. Although the rate of increase has leveled off, both violence and vandalism remain a substantial problem seriously affecting the quality of school life:
 - Between 1970 and 1973 virtually every category of school crime increased.

- Although youngsters spend only 25 percent of their waking hours in school, data show that 40 percent of the robberies and 36 percent of the assaults upon teenagers occur in schools.

- D. Problem: Relation of Schools to Other Institutions: The failure of the schools to work with other social institutions has resulted in lost opportunities to improve the effectiveness of all community-based services and to enrich the school experience for students.
- Parents are not used to extend or reinforce school experiences.
 - Youth unemployment is high in part due to the failure of schools to relate to the work experience: the unemployment rate of all young people age 16 to 19 was 19 percent in November, and the figure for black teenagers was 39 percent. Among 18 to 24 year olds with less than four years of high school, the unemployment rate in 1976 was 25 percent, about 3 times the average for all.
 - The business community does not contribute adequately in the areas of career preparation and vocational guidance.
 - Social service agencies are failing to adequately utilize school facilities.
 - There is a widespread failure to recognize that some of the problems associated with urban decay can be attacked through the schools.
- E. Problem: Financial Crisis: Over the past fifteen years, continuing inflation, a reversal in enrollment trends, and declining confidence in and support for public education have combined to create serious fiscal strains for some school districts.

- From 1960 to 1975 per pupil expenditures nearly quadrupled (from \$375 to \$1,390) with inflation accounting for two-thirds of this increase; in constant dollars, current outlays per pupil have nearly doubled since 1960.
- Between 1960 and 1972 public school enrollments rose from 36 million to 46 million, nearly a 30 percent increase. Between 1972 and 1976, enrollments declined to about 44 million, a 4 percent drop. By 1982 it is estimated that enrollments will drop to about 40 million, although this decline will then bottom out.
- Taxpayer resistance to increases in the unpopular property tax has resulted in school closings and reduced educational offerings. The percent of bond issues approved by voters fell from three-fourths of all issues in 1964-65 to less than one-half in 1974-1975.
- In many urban areas increased costs of non-educational public services have seriously eroded support for schools.

However, as noted, many State governments have improved their fiscal positions and, as a result of budget surpluses, are contributing a greater share of school revenues, thereby easing pressures on local districts.

F. Problem: Federal/State Relations: Many educators, and some of the public, perceive Federal regulations as another major problem facing elementary and secondary education.

- Paperwork-related administrative requirements, e.g., completion of elementary and secondary education forms, are burdensome.
- Heavy Federal emphasis on fiscal controls diverts attention from program goals.
- Federal programs and program administration sometime fail to utilize State and local financial resources and administrative know-how.

- Public officials, especially at the local level, are often confused by the sheer number and variety of separately administered Federal education programs.

In general, Federal/State relations have been hampered by the adoption of a "worst case" approach which predicates rules and regulations on the assumption that if State and local administrators can do something bad, they will. This needlessly penalizes States whose programs are fully congruent with Federal priorities.

III. HEW'S ELEMENTARY AND SECONDARY ROLE: THE LEGISLATIVE PROGRAM IN CONTEXT

A. The Limited Federal Role

Prior to the mid-1960's the Federal role in education was quite limited.

- In 1959-60 Federal expenditures for elementary and secondary education were only \$700 million out of total expenditures of \$18 billion.
- By 1976-77 Federal expenditures had increased nearly tenfold to \$6.4 billion out of a total of \$82 billion. Because of increases in enrollments and costs, the percentage share, however, only doubled over this period.

Even now, Federal expenditures are only about 9 percent of the total. Furthermore, elementary and secondary education has historically been primarily the responsibility of local and State governments. This traditional relationship is recognized in the nature of the current Federal involvement.

- The bulk of Federal expenditures -- \$5.5 billion in FY 78 -- are distributed to States and then to localities on the basis of legislatively-established formulas. The kinds of children to be served with Federal dollars are usually also specified -- poor, handicapped, language limited, etc.
- Limited amounts of Federal funds are provided States to fund individual projects in specified program areas (\$365 million in FY 78).
- The smallest amount of money is provided for Federal discretion to support innovative projects, training, research, development and the communication of improved educational practices (\$187 million in FY 78).

In sum, despite Federal leadership and increasing Federal expenditures in elementary and secondary education, the tradition of State and local control remains strong. That tradition should both be a cornerstone of new Federal policy and a limit on future Federal involvement.

B. Existing Legislative Programs in HEW: A Quick Overview

(1) Title I of the Elementary and Secondary Education Act (ESEA) (FY 78 funding, \$2,347 million)

Grants go to about 14,000 school districts for supplementary compensatory education services for the disadvantaged in low-income schools. Funds are distributed to States on the basis of the number of school-age children from poverty families. Out of 9 million eligible children about 5.6 million are served by Title I. Two-thirds of those served are in grades 1-6. Title I grants to local school districts average about \$400 per participant.

(2) Title I, ESEA - Handicapped Children (FY 78 funding, \$145 million)

Provides support for education of handicapped children in special State-operated programs at the rate of 40 percent of average State per pupil expenditures. An estimated 248,000 children will be served in 1978-79 at an average cost of \$553 per child.

(3) Education for All the Handicapped Children Act (FY 78 funding, \$535 million)

Designed to offset the excess costs of educating the handicapped. This program distributes funds to States and local districts on the basis of the number of handicapped children served. The authorizing legislation calls for Federal funds to meet 20 percent of the excess costs of educating handicapped students aged 3 to 18 in FY 79, rising to 40 percent in FY 81.

(4) Emergency School Aid Act (FY 78 funding, (\$276 million)

Delivers grants to meet the needs associated with desegregation of students and faculty. Most of the funds are apportioned to the States on the basis of their share of minority students 5-17 years old. The Office of Education then makes awards to school districts within the State. In 1978, awards will be made to approximately 1,000 districts.

(5) Title VII, ESEA Bilingual Education (FY 78 funding, \$135 million)

This program funds demonstration projects to help non-English speaking children gain English language skills so as to integrate into the English-speaking classroom. It also supports curriculum development and teacher training. In 1978 these funds will support 565 demonstration projects in 67 different languages serving approximately 255,000, out of an estimated maximum 3.6 million eligible children. The funds will also provide in-service training for about 38,000 teachers. The Spanish-speaking community is the most vocal interest group monitoring this program.

(6) Adult Education (FY 78 funding, \$91 million)

Provides formula grants to assist the States in eliminating illiteracy among adults, sixteen years and over. Of the 57 million persons aged 16 and over not in school and without a high school diploma, the program will reach about 1.3 million individuals. Average cost per participant is about \$62.

(7) Impact Aid (FY 78 funding, \$770 million)

Provides payments to school districts based on the number of children with parents residing or employed on Federal property. In 1978, the program will assist 4,400 school districts which contain 2.5 million federally-connected children.

(8) Indian Education (FY 78 funding, \$60 million)

Payments are made to school districts based upon the number of American Indian children enrolled in the public schools. In 1978, 1,075 districts will receive about \$115 per participant for 300,000 Indian children.

(9) Educational Quality: States

Funds are allocated among state departments of education based on the number of school-age children in the State. Two categories of activities are supported:

- Support and Innovation Grants (FY 78 funding, \$197 million): Funds are used to provide personnel for state departments, to support innovative projects in local districts, to prevent dropouts, and to support school health and nutrition projects as well as other important programs.

Libraries and Learning Resources (FY 78 funding, \$168 million): Grants are made to school districts to purchase library books, other materials and equipment, to provide guidance counselors in the schools, and to do minor remodeling.

(10) Educational Quality: Federal Programs

Funds are administered directly by HEW in categories specified in the legislation. Two of the main programs are:

- Follow Through (FY 78 funding, \$59 million): Intensive programs for disadvantaged children in the first three grades are supported as a continuation of the special programs of Head Start. In FY 78 some 74,500 children in 164 projects will be supported.

Special Projects (FY 78 total funding, \$47 million): This program supports projects in a diversity of educational areas including metric education, gifted and talented children, community schools, career education, and women's educational equity. The dollars available in each little category are set by Congress in authorizing legislation.

C. Basic Themes of the Elementary and Secondary Package: Legislation

One of the criticisms most often lodged against the Federal elementary and secondary education effort is that it lacks coherence -- and an overall strategic thrust. We propose that the legislative package be organized around five themes that relate to the basic problems in elementary and secondary education.

In this section, the more important legislative changes or features -- and closely related administrative and budgetary changes -- are briefly described. Given the breadth of the program, descriptions of the proposed changes are necessarily truncated. A more detailed description of each proposal is included at a series of tabs appended to this memorandum.

THEME #1: PROMOTING ACCESS AND EQUAL EDUCATIONAL OPPORTUNITY

Programmatic Thrust. Since the mid-60's, Federal programs have placed primary emphasis on the promotion of access to education for the disadvantaged, handicapped, language-limited, Indians, and minorities. The Federal role has been to identify special needs not being met and to address those needs through a variety of strategies.

We propose to continue to support the goals of access by strengthening existing programs, providing greater flexibility to meet changing needs, and simplifying overly complex statutes and administrative requirements. In addition, our proposals are intended to reflect a greater concern for the quality and effectiveness of the education being made accessible to special populations.

(1) Program: Title I

Title I funds are allocated to school districts by a formula that has two principal components: (i) the number of children from poverty families, and (ii) the per-pupil expenditure in the State, as compared to the national average. Districts then allocate funds to individual schools in rank order of their poverty concentration. Schools decide which pupils to serve on the basis of low achievement. The present appropriation for funding high poverty districts is only 60 percent of the authorized level.

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Title I funds must be add-ons to the district's regular program -- the services must supplement, not supplant, the basic program. Title I schools must receive State or local funds for their basic program comparable to other schools in the same district; and a district must maintain expenditures for the base program in order to receive funds.

- Proposed Change: The Concentration Provision (Tab 1)

- How well, though, are funds utilized?*
- Within a given State, all districts receive the same number of dollars per child. However, educational problems are more severe in districts with high concentrations of low income children, and higher per-pupil costs must be incurred to meet these needs. These districts are the least able to provide extra educational services without additional Federal help. They are mainly city districts overburdened by high costs for services other than education and rural districts with a low tax base.
 - We propose to add a new part to Title I which would target supplemental funds on school districts with large absolute numbers (5000) or large proportions (20 percent) of poverty children. Districts would be required to expend these funds for compensatory programs. Two-thirds of this additional funding would go to urban areas; the remainder to poor rural districts.
- best factor?*
- We have requested \$664 million in FY 79 for this provision (\$300 million within the OMB mark). An annual growth of \$125 million is projected through 1982.
 - It should be very popular with most urban and rural interests (and other groups should be somewhat mollified since we also propose a modest increase in the regular Title I program in FY 79).

- Proposed Change: Match for State Compensatory Programs (Tab 2)

- Title I is now funded at approximately 60 percent of full authorization. Rising costs will

require substantial increases in funding. In order to leverage limited Federal dollars, States must be encouraged to develop programs that are narrowly targeted on educationally or financially deprived children. Generally, current state compensatory programs serve many children who are less needy than Title I children.

- We propose to establish a new federal program to provide matching money for state compensatory programs that meet the criteria governing the basic Title I program. The match would be one Federal dollar for every two qualifying State dollars. States would be required to maintain current efforts in compensatory programs. This proposal could begin to leverage State money for use in achieving Title I purposes.
- No increase in cost will occur in FY 79. At present, few States have appropriate programs. We estimate the need at \$100 million for FY 80; \$200 million in FY 81; and \$318 million in FY 82.

● Proposed Change: Demonstration Projects (Tab 3)

- 2
- Title I has not actively encouraged systematic local trial of new educational practices or testing ideas that lead to successful compensatory programs. This failure becomes particularly acute as we try to focus Title I increasingly on quality. For example, we must find ways to promote parent involvement, the use of summer schools and summer home work, full-year programs, and the like.
 - The proposal calls for the establishment of a Title I demonstration program, 80 percent of which will be administered by the States, to award to districts on a competitive basis for development and evaluation of new programs; the remaining 20 percent would be a discretionary fund for the Commissioner to assist States in planning competitions, to conduct applied research, and to disseminate findings.

- As part of this proposal, the Follow-Through program would be merged over a three-year period into this new demonstration program. Follow-Through is currently operated as an experimental community services program designed to assist the overall development of low income children enrolled in kindergarten through third grade and to amplify the educational gains made by these children in such programs as Head Start. States would be protected by a hold harmless provision.
- There would be no additional costs in FY 79. In FY 80, the additional cost of the demonstration program plus the phase-out of Follow-Through, over the current cost of Follow-Through, would be \$60 million, with \$75 million in FY 81, and \$90 million in FY 82.

- Proposed Change: Title I Quality Concerns (Tabs 4 and 5)

- (i) School districts often "pull" Title I children out of the classroom into special programs limited to Title I children. Federal administrative practices encourage, though do not require, this approach. Some feel a "pull-out" has educational advantages over providing compensatory education to the Title I child in the regular classroom -- "mainstreaming". But there also is significant sentiment for mainstreaming.
- We propose to take a more clearly neutral administrative posture on the pull-out vs. mainstream question so that localities may make a choice on the merits, as they see them, and not on administrative convenience.
- (ii) School districts often fail to experiment with a variety of new approaches, and to develop educational practices associated with successful programs, such as parental tutoring, teacher training, and teacher involvement in Title I planning.

*Some do
too much
experimenting &
not enough
teaching*

may be
good

-- We propose to permit schools in which at least 80 percent of the students are eligible for Title I funds to use Title I funds to upgrade the entire school program, conditioned on receipt of a plan which will show how that school intends to provide for the compensatory needs of Title I eligible children. Using Title I funds for school-wide planning is innovative but is appropriate when there is such a high concentration of Title I eligible students.

-- In addition, we will require States and school districts to give assurances that teachers are involved in the planning of Title I programs and parents are informed about the instruction of their children.

-- There will be no cost in FY 79 or the out years.

● Proposed Change: Greater Flexibility for Local School Districts (See Tabs 6 and 7)

-- We propose to give school districts greater flexibility in deciding which schools should receive Title I funding. At present, in order to prevent dilution of limited Title I funds, certain technical rules prevent schools within school districts from receiving Title I funds even though they have a significant number of eligible children. With the concentration provision putting more funds in many districts, problems of dilution will be eased, and so should the technical rules limiting local district discretion.

-- We also propose to give districts greater flexibility in spending their own compensatory education funds once the Title I schools in that District receive full Title I funding through a combination of Title I and State compensatory programs -- a result that becomes possible with the concentration and state compensatory match proposals described above.

-- There is no cost in FY 79 or out years.

● Proposed Change: Expanded State Role in
Monitoring and Enforcing Title I (Tab 9)

- A failure to clearly delineate Federal and State roles in the enforcement of Title I has severely hampered efforts to monitor and implement the law.
- We propose to establish an increased enforcement role for the States because it is simply not possible for the Federal government to oversee effectively activities in 14,000 Title I districts across the nation. States will be given the primary task of overseeing local district compliance, and will be required in turn to submit monitoring and enforcement reports indicating adherence to minimum Federal regulations.
- To defray added State administrative costs, Title I payments for State administration will be increased, provided States submit an appropriate plan. Cost: \$15 million during the first year of operation.

● Proposed Change: Consolidation of Handicapped
Programs (Tab 8)

- A distinct Title I program provides supplementary education programs to State-supported institutions and schools for handicapped children. Although per pupil expenditure under the Title I handicapped program are at present higher than per pupil expenditure under the Education for All Handicapped Children Act, the purpose of both acts is essentially the same.
- We would like to propose the obvious step and combine both authorities for ease of administration and for sensible budget planning. Nonetheless, given the per pupil spending disparity between the two programs, there will be strong political opposition to an immediate consolidation. We must test the political waters to see what type of proposal is politically feasible -- for example, phasing in the consolidation over time as expenditures in All Handicapped Children rise towards Title I-Handicapped.

● Proposal Rejected: Changing the Poverty Basis of Title I

- Some members of Congress want to alter the Title I formula to base the distribution of funds purely on low achievement rather than poverty (funds in Title I are distributed to States, districts and schools based on poverty concentrations -- they are usually distributed within the schools on the basis of low achievement).
- This proposal -- which we rejected but which will receive serious debate on the Hill -- would alter the fundamental purpose of Title I which now provides extra resources for children in high poverty areas. This proposal would also require establishing a monolithic national test standard which, as I have indicated to you before, is an inappropriate step for the Federal government to take. Chairman Perkins, civil rights groups and teachers strongly oppose changing the formula.

(2) Program: Bilingual Education

● Definition of Purpose (Tab 10)

- The definition of bilingual education contained in this program emphasizes the goal of acquiring competence in English. In practice, however, many students stay in bilingual classrooms after they have gained proficiency in English, and there is substantial political pressure to redefine the purpose of the program to teach cultural background (bicultural studies) in addition to language proficiency (bilingual studies).
- We propose to continue characterizing the program as one whose purpose is to teach English to those with limited English language skills. We would not recognize a separate bicultural purpose, but we would put a new emphasis on using bicultural instruction as a means of helping youngsters gain proficiency in English. This will not satisfy the most vocal bicultural advocates, and we must test the proposal carefully on the Hill.

- Proposed Change: Time-Limited Federal Funding
(Tab 11)

- The limited state-of-the-art in bilingual education and fiscal constraints do not permit shifting the bilingual program from a capacity building/demonstration mode to a service mode (as noted, the program only serves about 7 percent of estimated eligible students). However, many projects have been operating in excess of five years, and their Federal funds are no longer being used to "demonstrate" an educational concept but rather to provide services. Given limited funds, this situation discriminates against non-recipient schools and discourages development of new ideas.
- We propose to discuss with key members of the Congress the possibility of establishing a five-year eligibility period for bilingual projects, during which each project's Federal funds would be gradually reduced. Local and State Education Agencies would be required to pick up a steadily increasing share of program costs. Local Education Agencies could continue to receive funds after the five-year period so long as they initiated new projects in different schools, languages, and/or grade levels. Different methods of time-limiting Federal involvement will also be explored.

- Proposed Change: Research and Teacher Training

- We continue to lack knowledge on the state-of-the-art in bilingual education. Little is known about how children acquire a second language, the effectiveness of alternate modes of instruction, and the educational relevance of cultural components. To exacerbate the problem, there is a severe shortage of trained bilingual teachers and adequate curricular materials, particularly for languages other than Spanish.
- We propose to request an increase in authorization levels to allow us to intensify our research

*Speak only
other (new)
language*

2 and evaluation efforts. Developing effective teacher training will play an important role in the research agenda to be developed.

-- The cost is \$15 million for FY 79.

(3) Program: Emergency School Aid Act

ESAA was enacted in 1972 to aid school districts undergoing desegregation, to encourage voluntary desegregation and to aid school children in overcoming the educational disadvantages of minority group isolation.

A large portion of ESAA's funds (\$187 million out of \$276 million) is reserved under a State apportionment formula. The apportionment funds are distributed on the basis of each State's school-aged minority population, as compared to school-aged population nationally. Within each State, HEW ranks each district's application according to statutorily-based criteria which emphasize (1) how well the district's plan would meet a certain desegregation objective such as in-service teacher training and (2) how much the plan proposes to reduce isolation of minority students. Apportioned funds are then awarded to districts until the State's funds are used up.

• Proposed Change: Cap or Phase Out State Apportionment Provision (Tab 12)

-- The State apportionment formula favors those States with high proportions of minority students. Due to the early desegregation activity in the South, however, ESAA funds there are often used as general aid for compensatory education, with some funds going for "second generation" desegregation problems of districts that have gone through the "first generation", i.e. the racial mixing stage. These "second generation" problems include, for example, disproportionate use of discipline against minority students and tracking procedures that lead to intra-school segregation. Our priorities, however, should be just the opposite: the primary emphasis should be on emergency transitions (such as assistance to major new desegregation efforts in Northern cities or on metropolitan and interdistrict

desegregation activities) with some funding for second-generation desegregation problems. Given limited ESAA funds, and the likely increase of desegregation activity in the North, it is inappropriate to use ESAA funds for general or purely compensatory aid.

- Effecting such a shift in targeting would raise two genuine problems: first, we must define criteria that permit targeted funding on the legitimate desegregation problems of "second generation" schools; and second, eliminating the apportionment provisions will generate political opposition from the South even though some "second generation" funding will flow there.
- We propose to begin exploring with key Members of Congress various alternatives for capping -- or eliminating on a phased basis -- the State apportionment formula so as to permit greater flexibility in spending ESAA funds and to give greater emphasis to meeting the needs associated with the major new desegregation activity.
- We would like to eliminate the apportionment formula and develop administrative criteria for meeting first and second generation desegregation activity. But the politics of the issue are such that we will undoubtedly have to develop a compromise position -- probably a hold harmless. Our wish to get away from the rigidities of the apportionment formula should be aided by the Title I concentration provision which will put money into high poverty Southern districts currently benefiting from general use of ESAA funds for purely compensatory purposes.

● Proposed Change: Administrative Flexibility

- We propose to provide for multiyear (instead of annual) grant commitments, subject to annual certification by HEW's Office of Civil Rights of continuing compliance and OE certification of

progress in desegregating. This proposal should encourage long-term planning and allow districts wishing to undertake major desegregation efforts to count on sustained funding.

- Proposed Change: Planning Incentives for States and Metropolitan Areas (Tab 13)

- Federal policy has not tapped the resources of the States in attempting to desegregate schools. Only nine States have significant desegregation programs of their own. Matching grants may expand these efforts and encourage new ones, thus creating a new partnership between Federal and State governments.

Although metropolitan remedies are often the only way to achieve substantial desegregation, ESAA does not currently provide authority for States to develop and implement metropolitan desegregation plans.

- We propose to use existing ESAA funds for:

- Matching grants to States that undertake enforcement activities and provide technical or financial assistance to desegregating districts.
- Authorization for planning grants to States for metropolitan and interdistrict desegregation.
- Funding local school districts who see desegregation problems on the horizon and wish to plan to act preventively (given limited funds, we would restrict the amount of planning money available to local districts for this purpose).

Obviously, even providing planning money for voluntary metropolitan or inter-district desegregation will be controversial.

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- We estimate that not more than \$11 million dollars of State spending would qualify for the first year for the match. If the program increased significantly in years thereafter, we might wish either to seek commensurate overall budget increases, or to establish a set-aside which would operate as a limit for the matching program.

- Proposed Expansion: Magnets

- A magnet school is a school or educational center that offers a special curriculum capable of attracting substantial numbers of students with different racial backgrounds from all neighborhoods in a school district. The special curriculum is not generally offered in other schools in the district. The FY 78 budget for magnets is \$20 million and will fund an estimated 25-30 awards; the average award is approximately \$600,000. Since January, I have visited magnet schools in Chicago and Dallas. I was particularly impressed with the variety of the curricula and the enthusiasm of students, teachers, and administrators.
- Magnets can be viewed as either a means of promoting voluntary desegregation or a means of improving educational quality. We are currently evaluating how well they serve both of these purposes. Use of magnets under ESAA clearly emphasizes the desegregation purpose.
- We propose to amend our FY 79 budget to increase funding for magnets under ESAA from \$20 million to \$30 million as a signal that magnets are an important technique for reforming the urban high school experience that is worth exploring further. These monies will enable us to fund approximately 15 additional magnets. We also will consider funding magnets in the Federal quality initiative proposed below to highlight magnets' potential in this area as well.

*may be
good*

THEME #2: STIMULATING IMPROVEMENTS IN THE QUALITY OF EDUCATION

Programmatic Thrust. Historically, the principal emphasis of federal programs has been to broaden educational opportunity. But to make opportunity truly equal requires not just getting students into the right classroom, but giving them quality instruction once they are there.

HEW has never had a general program whose purpose is simply to find ways of improving educational quality. This gap ought to be filled. For although the federal role in education is limited in many ways, the national government has a unique capacity to undertake demonstration programs to upgrade the quality of instruction. It can muster greater financial and technical resources than a State or local agency; it can choose to fund the most promising projects all across the country; and it can serve as a national clearinghouse to ensure wide dissemination of methods to upgrade quality.

The time has come to exercise federal leadership in the area of educational quality, and our legislative proposals -- while not large in dollars -- reflect an important new emphasis in Federal education policy that will be associated with your leadership.

(1) Program: Title I

As noted above, many of the proposed changes in Title I -- like the demonstration fund -- are designed to encourage Title I schools to adopt educational practices that characterize successful compensatory programs. Increasingly, parents of Title I children, and supporters of the Title I program, are not just seeking access but access to quality education programs.

(2) Proposed Change in Total Program: Educational Quality Act (Tab 14)

- Problem: More than a dozen narrow program categories -- such as Metric Education, Gifted and Talented, Right to Read, and Drug Abuse Education -- now exist under the Special Projects Act or other Office of Education authorities. This fragmented structure lends to inefficient administration and imposes multiple burdens on States and school districts. Because

funding is tied to narrow categories and because there is no general authority to promote educational quality, this structure also limits Federal flexibility and leadership in meeting pressing needs.

- Proposal: Enact a new Educational Quality Act, providing general authority for the Commissioner of Education to promote educational quality. Existing categorical programs would be folded into four broad cluster areas that underscore important and/or emerging problem areas in elementary and secondary education. The proposed new authority will emphasize:

(i) Basic Skills

Right to Read (newly revised to cover Basic Skills)
Testing Initiatives (new)

(ii) Special Skills

Arts Education
Environmental Education
Global Perspectives (new) ← ?

(iii) School Reform

- School-Home Program

Parental Education in the Home (new)

- School-Community Programs

Community Schools
Integrated Service Schools (new)
Drug Abuse Education
Adolescent Pregnancy (new)
Magnet Schools
Consumer Education

- School-Work Programs

Career Education
Youth Employment (new emphasis)

- Gifted Student Program

Gifted and Talented

(iv) Teacher Development

- Teacher Training

Teacher Corps

Teacher Centers

Teacher Development Coordination (new)

- Teaching Resources

Educational TV Programming

Library Demonstrations (new)

Technology Demonstrations (new)

- Within each of the four clusters, the Commissioner would have total discretion. This flexibility -- which lies at the heart of the proposal -- may be met with congressional attempts to preserve separate authorizations or appropriations for pet projects. To maximize flexibility, however, we will initially include as many programs as possible in the consolidation, while recognizing the need for responsiveness to congressional concerns. We may also have to promise minimal funding for the pets through a slow phase down of the categoricals consolidated into the cluster areas. Certain small categorical programs are not included in the consolidation because of expected resistance.
- With this broad authority and increased funding, the Federal government could take the lead in such areas as improving basic skills achievement, reforming urban high schools, developing educational television and other technologies, and upgrading teacher quality, to name but a few. Funding could be used for basic and applied research, demonstration projects, technical assistance, and dissemination.

- Additional Components. We also propose to have two additional funds in the Educational Quality Act. One would be a discretionary account for the Commissioner to allow program development in areas outside the four clusters. A second fund, which would be highlighted and given a distinct identity, would be available for unsolicited proposals from teachers or local schools seeking a relatively modest grant to test an innovative proposal.
- Cost. The separate program categories to be consolidated are funded in FY 78 at \$166 million. Our FY 79 request for these separate program categories -- which does not reflect the new authorization -- is \$210 million. Upon enactment of the Educational Quality Act, we would hope to obtain a supplemental appropriation to bring our FY 79 total to \$302 million.

(3) Program: State Programs Under Title IV of ESEA

There are two legislative authorities under Title IV of ESEA for state programs to improve quality. These programs will not be well coordinated with the Federal Quality initiative. Although the authorities have recently been consolidated, and the probability of reshaping them again is not high, we will seek ways to make them more closely conform to the concerns underlying the proposed Educational Quality Act (teacher training, parental involvement, systematic development of total school programs).

THEME #3: EXTENDING THE SCHOOL TO THE FAMILY AND TO
OTHER SOCIAL INSTITUTIONS

Programmatic Thrust. Closely related to educational quality is the need to link schools to other social institutions. Federal policy can promote integration of schooling with other aspects of society (such as social services or the workplace). At the same time, it can seek to expand education beyond the school, by encouraging parents to take an active part in helping to educate their children. As with promoting educational quality, the Federal role in this area is to highlight vital problems and, through research and demonstration, begin to lay the groundwork for more effective Federal, State or local programs.

Proposal

These purposes would be promoted through the proposed Educational Quality Act which would include broad authority to

- Seek ways to involve parents in learning and to develop educational materials for use in the home.
- Provide social services, such as drug abuse education or information about birth control for teenagers in schools. Schools are an effective contact point at which health and welfare services -- particularly those that focus on adolescents -- can be delivered, as the Milliken project illustrates.
- Build bridges between school and the workplace. These efforts would include career counseling and work/study programs for high school students. There would also be authority to complement the Department of Labor's Youth Employment Programs -- for example, by arranging for continuing education of teenagers in the Jobs Corps or other CETA programs.
- Demonstrate ways of extending the school to local universities and colleges, museums, symphonies, science facilities to broaden the experience of students.

THEME #4: PROVIDING LIMITED FINANCIAL SUPPORT FOR STATE
AND LOCAL ACTIVITIES

Programmatic Thrust: In certain areas where Federal dollars serve largely as general aid -- impact aid and vocational education -- we propose to reduce Federal support to the extent possible.

In other areas -- adult education and support for private schools within constitutional limits -- we propose to increase activities to meet manifest needs.

With regard to the financing problem in general and the issue of equalizing expenditures among school districts within a State in particular, we propose -- through research and demonstration -- to begin positioning ourselves so as to have a coherent response to increasing pressure for Federal involvement: a response that can keep the Federal role limited in this most expensive area.

Reductions

(1) Program: Impact Aid (Tab 15)

- Purpose: The Impact Aid program compensates school districts for the cost of educating children when enrollment and availability of local revenues are adversely affected by Federal activities in the area. However, the program frequently compensates districts for children who do not constitute a significant Federal burden. Examples include payments for children whose parents live in federally subsidized public housing and payments for children whose parents are employed on Federal property outside the county in which the school district is located. In addition, Impact Aid is often targeted on districts that are wealthy or lightly impacted.

As you know, during negotiations with the Congress on the FY 78 budget, I was asked by the Chairmen of the House authorizing and appropriations committees which have jurisdiction over the Impact Aid program to conduct a comprehensive review of the program and make recommendations to the Congress regarding more effective ways of providing assistance for elementary and secondary education.

- We propose to amend the Impact Aid legislation in two steps:

-- Step 1 of the reform will be reflected in the FY 79 budget and includes elimination of payments for children whose parents work on Federal property outside of the county in which the school district is located, reductions in payments made for lightly impacted districts and simplification of the way payments are calculated. When fully phased in, this action will eliminate approximately 2,300 of the 4,000 districts which currently participate in the program.

2300

-- Step 2 will take effect in the second year of reform. It includes the reforms of Step 1 and eliminates entitlements for public housing children. When Step 2 is fully phased in a total of nearly 2,500 districts will have been eliminated from the program.

+ 200
2500

Go further

These reforms will be phased in through a series of hold harmless provisions which will allow districts losing support to adjust gradually to lower funding levels.

- Cost: The FY 79 impact aid budget will be about \$800 million without reform. We estimate a savings of \$86 million in FY 79 (Step 1 reforms) and \$136 million in FY 80 (Step 2 reforms).

- (2) Program: Vocational Education (Consumer and Home-making Education).

No funds are requested in FY 79 for Consumer and Homemaking Education, a reduction of \$41 million from 1978. We are doing this because: States are already spending a significant amount in this area; Federal dollars have marginal impact (\$8 State to \$1 Federal); Consumer education has already been widely adopted in school systems; the Federal role is thus essentially one of

underwriting general operational support for schools; and this program is considered a low priority use of Federal education funds as compared to other Federal education programs.

New Directions

(3) Program: Adult Education (Tab 16)

- The purpose of the Adult Education Act is to encourage the establishment of programs of adult public education that will enable all adults to finish high school and become employable.
- The existing adult education is of limited effectiveness. Problems involve: (1) too much emphasis has been placed on helping adults attain a high school diploma, to the detriment of teaching functional literacy; (2) inadequate recruitment -- those most in need are often least likely to seek services; (3) spotty coordination with Department of Labor and other training programs; and (4) a general failure to involve business and other non-educational groups;
- We propose to expand the purpose of the Adult Education Act to include an emphasis on functional literacy; expand the delivery system at the local level to include businesses, and community action organizations; make planning grants to State Departments of Education to set up a participatory process for identifying literacy needs; and conduct an extensive research, development, dissemination, and evaluation effort on the state-of-the-art in adult education.
- Cost: We estimate that for the expansion of the delivery system and introduction of new instructional approaches, there will be no extra costs in FY 79 and \$10 million for planning grants in FY 80. For the research and evaluation effort, we estimate no additional cost for FY 79, \$5 million for FY 80 and \$10 million for FY 81.

(4) Program: Equalization (Tab 17)

- Problem: There is dramatic variation in expenditures per pupil among the districts within States. Such spending differentials result in marked disparities as measured by pupil-teacher ratios, training and experience of staff, availability of facilities, equipment, and counseling services. Because high cost pupils (e.g. handicapped, bilingual) are not randomly distributed, their costs pose fiscal problems for selected districts in every State. Urban areas are particularly affected because of heavy demands against their deteriorating tax bases to support other municipal services.
- We propose to begin a concentrated Federal effort to develop a long-term strategy for achieving State school finance reform through school finance research, technical assistance and dissemination activities, and grants to State to enable them to continue developing solutions to financing inequities. Because our knowledge is severely lacking in this area, and because of the tremendous costs involved in school finance reform, we intend to defer proposing any new programs of direct financial assistance for within-State equalization. There is pressure on the Hill for the Federal government to get involved in this area.
- We estimate additional costs to be \$10 million for FY 79.

find way to
force states to
act

(5) Private Schools (Tab 18)

- Office of Education regulations, issued pursuant to Title I and other laws, specifically authorize equipment to be placed on private school premises, but require administrative control over such equipment to remain in a public agency. Those regulations also authorize public school personnel to provide special services (therapeutic, remedial, welfare, health, guidance and counseling services, as well as school breakfasts) on the premises of a private school, but

again subject to public administrative direction and control. Pending litigation challenges the constitutionality of certain of these practices.

- Despite these requirements, children enrolled in private schools have in some States not been provided sufficient opportunities to share in the benefits of Federal elementary and secondary education programs -- due, in large part, to administrative inaction at the Federal level.
- We propose to
 - require States to include in their annual plans a description of their past and planned efforts to ensure equitable services for private school children;
 - require under Title I comparable per-pupil expenditures for children in private schools who have the same needs as children in the public schools;
 - provide funds for added staff capacity in States to deal with enforcement issues; and
 - seek out ways of indicating concern by the Federal government for children attending private schools including increasing private school representation on those education advisory councils that have survived your ordered cutback. We do not propose any major legislative initiatives in this area because of Constitutional limitations.
- Minor costs are anticipated.

THEME #5: FORGING A NEW FEDERAL-STATE PARTNERSHIP

*Try to consolidate
programs*
*Teach basics
(Reading)*
Test progress
*Total use
of school
facilities*
Programmatic Thrust: A major change in our package is to move toward a new Federal-State partnership in serving the needy and/or special groups identified in most Federal programs.

Because education is primarily a State and local responsibility, and because the Federal government is not likely to increase dramatically its fiscal share of elementary and secondary education, it is both appropriate and desirable that the States and localities be given incentives to join with the Federal government in implementing Federal priorities. In order for the States to carry out these new responsibilities in an adequate fashion, Federal requirements will have to be more flexible so that States may experiment and innovate without unreasonable administrative constraints.

Proposals: Many of the proposals sketched in above do double duty in achieving the goal of defining a new Federal-State partnership. These include: a new matching program to encourage State compensatory education; a Title I demonstration program that will be partially State run to improve the quality of Title I education; increased State monitoring and enforcement role in Title I; planning grants for States and school districts to become more deeply involved in voluntary desegregation planning; and moving to multi-year rather than annual planning requirements.

D. Basic Themes of the Elementary and Secondary Package:
Administration and Management

When we begin publicly to discuss the new legislative initiatives in elementary and secondary education, I think it is vital that we continually couple the new programmatic/legislative thrust with a strong general commitment to improving markedly the administration and management of the Office of Education.

In the description of the legislative program set forth above, I noted a number of administrative changes that would further specific goals in the particular legislative programs (Title I, ESAA, etc.). But the legislative program -- and the administrative changes directly relating to legislative provisions -- must be seen and promoted in the context of Commissioner Boyer's outstanding work in cleaning up the Office of Education.

The basic thrusts of that effort are as follows:

- (1) Streamlining the Structure (e.g. by reducing from 28 to 7 the staff offices reporting to the Commissioner).
- (2) Improving the Regulations Process (e.g. by stressing clear, concise language in regulations through OE's participation in HEW's "Operation Common Sense").
- (3) Simplifying Application Procedures (e.g. by publishing for the first time in the Federal Register a single notice of closing dates for receipt of applications for discretionary programs: for the first time, applicants have adequate notice of when their applications are due).
- (4) Tightening the Contract and Grant Process (e.g. by establishing clear organizational responsibility for each step of the process).
- (5) Cutting Back Paperwork (e.g. by implementing a policy to standardize grantee reporting requirements).
- (6) Improving Accountability

IV. BUDGETARY TRENDS

The proposed elementary and secondary education program must also be understood in the context of the budget. During the Nixon-Ford years, there was a constant battle between the Executive and Congress, because the Executive both would tightly tie together legislative and budgetary changes (sending them up at the same time without much consultation) and would propose cut-backs or level funding that the Congress would significantly change.

If our relations with the education-minded members of Congress are to be put on a sound basis, we must not only advance sensible legislative proposals, we must also commit to modest increases in the elementary and secondary budget over time so we are not always in a defensive posture on the Hill.

A. Recent Budget History

- Between 1969-1977, the Federal budget for elementary and secondary education grew at an average annual rate of about 10 percent, largely at Congressional initiative, from \$2.5 billion in 1969 to \$5.2 billion in 1977.
- The appropriation for FY 78, the first of the Carter Administration, provided an effective increase of about 15 percent above FY 77.
- Much of the growth has occurred in Federal programs designed to achieve equal educational opportunity by improving access to education and providing special programs to serve disadvantaged populations. Between 1969 and 1978, such programs increased from \$1.2 billion to almost \$4 billion:

	\$ In Millions		
	<u>FY 69</u>	<u>FY 77</u>	<u>FY 78</u>
. ESEA, Title I.....	\$1,123	\$2,285	\$2,735
. Handicapped.....	80	469	693
. Emergency School Aid.....	--	258	276
. Bilingual.....	8	115	135
. Indian Education	--	57	60

- Dispite these increases the Federal share of elementary and secondary spending has remained constant at about 9 percent of the national total.

B. Political Context of the Education Budget

Congress, reflecting its own priorities and responding to requests of interest groups, has, as noted, regularly appropriated significantly more than requested by the President:

- Since 1969, yearly appropriations for HEW education programs have averaged about 14 percent over requests.
- In FY 1978, a request of \$9 billion was increased by \$1 billion in Congress (an 11 percent increase).

As a result, the Executive Branch is usually in a defensive position with respect to the education budget. Thus, our legislative package and the FY 79 budget must reflect a serious commitment to elementary and secondary education, and we must be able to project favorable future growth in that budget.

C. FY 79 Proposed Budget

- An increase of 14 percent for elementary and secondary education (within the OMB mark) is proposed for FY 79 in order to:
 - Maintain strong commitment and permit growth in Federal equal educational opportunity programs, especially for the poor and the handicapped.
 - Begin a phased-in effort to exert a stronger Federal leadership role through new legislative initiatives designed to increase Federal/State cooperation and to improve the overall quality of education.

-- Achieve reform in the Impact Aid Program.

• Major items in the FY 79 request include:

-- Equal Opportunity and Access: an increase of almost \$1 billion (25 percent) to a total of \$4.9 billion.

-- Education Quality: an increase of \$200 million (37 percent) to a total of \$743 million.

-- General Financial Assistance: a decrease of \$70 million (5 percent) to a total request of almost \$1.5 billion. This includes an \$86 million savings from the proposed reform of Impact Aid.

D. Budget Projections: 1979-1982

Although I am not presenting a precise phased-funding proposal to you today, I would simply emphasize that when we send our elementary and secondary package to the Hill we should, at the same time, give a signal that we intend to provide for modest increases in the elementary and secondary education budget over the next three or four years as the new legislative initiatives begin to take effect.

I will have my staff work with OMB to develop alternative budget projections for the next three years at various rates of growth for subsequent presentation to you.

V. POLITICAL REACTION

As noted, we must now begin in depth political testing on the Hill. Chairman Perkins has promised to be as helpful as he possibly can -- and, within limits, you can count on him to be a strong ally. When the results of our further soundings are in, I will give you a more complete report. Nonetheless, there are certain general political points that can be made about the package that we have presented to you in this memorandum.

Favorable Reaction

- The new Title I authority and funding to serve urban and rural districts with high concentrations of low income students will enjoy widespread support. The NEA, civil rights groups and urban school administrators will be strongly supportive.
- The proposed Title I incentive grants for state compensatory education programs, increases in administrative funds for states, new assistance for developing state aid equalization plans, together with multi-year grants in ESAA, Bilingual and other programs to reduce paperwork will draw applause from the Congress, and state and local education officials.
- The proposed Quality package should be supported by Members and school officials who are looking to the Administration to assume leadership in halting the perceived decline in the quality of elementary and secondary education.
- Across the board, our reauthorizaion proposal stresses assistance to teachers and we show increased funding for teacher centers. This will please the teachers groups.
- A number of administrative initiatives to improve the regulations process, upgrade the application and grant award process, to increase accountability and to reduce paperwork burdens will be widely supported in Congress and by state and local school officials.

Controversial Proposals

- The Impact Aid proposal, although justifiable on equity grounds, will not be well-received in Congress because it ultimately eliminates 2,500 of 4,000 districts now participating in the program. Although new categorical program funds may flow into districts losing Impact Aid funds, categorical money is, of course, not viewed as favorably by impact aid superintendents, school boards, or teacher groups since it is not "general aid".
- The proposal to cap or phase out the apportionment feature of the Emergency School Aid Act must be carefully tested -- and a suitable compromise worked out -- before it is formally proposed.
- Similarly, our preference for making bilingual grants on a time-limited basis will have to be explored carefully. Strong Senate supporters of the bilingual program will be under political pressure to oppose this change.
- Consolidating the small categorical programs into the Educational Quality Act will also cause ripples. Some of the more committed advocates of special categorical programs will oppose consolidation unless they receive assurances of continued funding for these particular activities.
- Consolidating the Title I handicapped program with the Education for All Handicapped Children Act will be difficult unless a slow phase-in that protects per pupil expenditures under the Title I program is adopted.

APPENDIX

ELEMENTARY AND SECONDARY EDUCATION ISSUE PAPERS

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TITLE I OVERVIEW

PROGRAM PURPOSES:

The purpose of Title I is to provide funds for supplemental compensatory services to educationally deprived children in school districts with high concentrations of children from low income families. The present law contains two important parts:

1. The core of the program is contained in subpart 1 of Part A. It provides funding for high poverty districts for special compensatory education programs. Our FY 79 budget request asks \$2.5 billion.
2. The second major part of the statute is the state-operated programs (subpart 2 of Part A). This subpart allocates funds to States for operation of programs to serve children who are handicapped, migrant, or neglected or delinquent. Our FY 79 budget request asks for \$382 million for these programs.

PROGRAM COVERAGE:

- o About 9 million students are eligible for Title I funds, and about five million of these are served. Over 80% of the students served are in grades one through six.
- o Roughly 66 percent of the nation's schools receive some Title I money.

FUNDING:

- o The basic appropriation for subpart 1 -- the funding for high poverty districts -- is only 50 percent of the authorized level. Strong supporters of Title I, like Carl Perkins, would like to see the program move to 100 percent full funding.
- o The appropriations for the state-operated programs come off the top, and therefore are funded at 100 percent of authorization.

PROGRAM OPERATION -- PART A:

- o Funds are allocated to school districts by a formula that has two principal components: (i) the number of children from poverty families, and (ii) the per pupil expenditure in the State, as compared to the national average.
- o Districts allocate funds to individual schools in rank order of their poverty concentration.
- o Schools spend Title I funds for compensatory education services that supplement the regular school program. Schools decide which pupils to serve on the basis of low achievement.

BASIC TITLE I PROGRAM REQUIREMENTS:

- o Title I funds must be add-ons to the district's regular program -- the services must supplement, not supplant, the basic program.
- o Title I schools must receive state or local funds for their basic program comparable to other schools in the same district.
- o A district must maintain expenditures for the base program in order to receive funds.

PROGRAM EFFECTIVENESS:

- o Early evaluations (1965-1972) were highly critical of administration and effectiveness.
- o More recent evaluations show substantial improvement in program administration.
- o Recent evaluations also show substantial gains in achievement for Title I children during the course of the school year. But without continued compensatory services, these gains are not sustained.

MAJOR NEW LEGISLATIVE PROVISIONS:

Most of the legislative and administrative changes proposed relate to the basic program funding high poverty districts. However, two new sections are proposed:

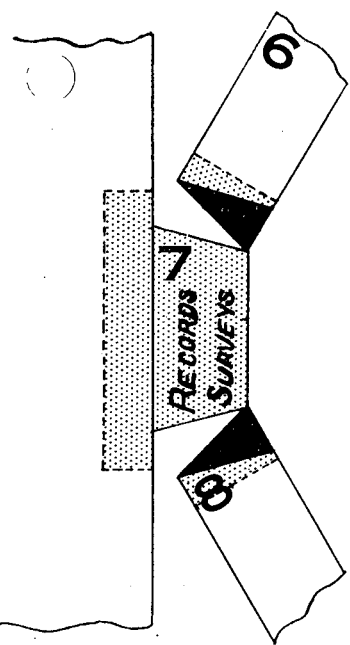
- o A new Part B would establish a new program providing federal dollars to match state compensatory education spending.
- o A new Part C would establish a new concentration funding provision, to provide supplemental funding for districts with very large numbers or high proportions of poverty children.

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TITLE I

CONCENTRATION PROVISION -- SUPPLEMENTARY FUNDING FOR HIGH POVERTY DISTRICTS

PROBLEM:

Title I aid is thinly spread -- of 16,000 districts in the country, 14,000 receive some Title I assistance. Payments are scaled to the number of low income children in each district. High poverty districts are given the same number of dollars per child as less poor districts in a State.

However, educational problems are more severe in districts with high concentrations of low income children, and higher per-pupil costs must be incurred to meet these needs. Moreover, these districts are the least able to provide extra educational services without Federal help. They are mainly city districts overburdened by high costs for services other than education, or rural districts with a low tax base.

PROPOSAL:

Add a new part to give supplemental funds to districts with Title I eligible children in excess of either (1) 5,000 children or (2) 20 percent of the total enrollment. Districts would receive an additional payment for each child above these levels. The amount of the concentration funding would be based on the State payment rate under the basic Title I provisions. Districts would be required to expend the funds for compensatory programs as defined by existing Title I regulations.

RATIONALE:

This proposal would assist districts in meeting the higher costs associated with educating high concentrations of poverty students. The 20 percent threshold would target funds on poor rural districts; the 5,000 poverty children minimum would target funds on poor urban districts.

At the proposed FY 1979 funding level of \$664 million, two-thirds of the concentration funds (\$445 million) would go to center city schools, an average increase of 45 percent over their FY 1978 Title I allotments. The relative impact would be greater for the largest cities: \$230 million would go to the five largest cities, and provide increases of 61 to 67 percent over their FY 1978 Title I payments. Nearly 25 percent of the concentration funds (\$166 million) would go to high-poverty rural districts.

ALTERNATIVES REJECTED:

To reduce the number of low-poverty suburban districts which would receive funds under the 5,000 plus provision, payment rates could be adjusted by

the percent of children in poverty. Although this would provide slightly better targeting, it was rejected for two reasons. First, this adjustment would add unwanted administrative complexity. Second, there is not a great deal in either our FY 1979 budget or the ESEA reauthorization proposals to benefit suburban districts. Those districts stand to receive less than a 10 percent share of all concentration funds, and to further reduce their percentage of concentration funds will not produce significant savings but will generate great political opposition.

COSTS:

\$664 million in FY 1979. In large measure, this replaces Title I funding increases which would have occurred under the basic formula in the absence of a concentration provision. An annual growth of \$125 million is projected through 1982.

POLITICAL REACTIONS:

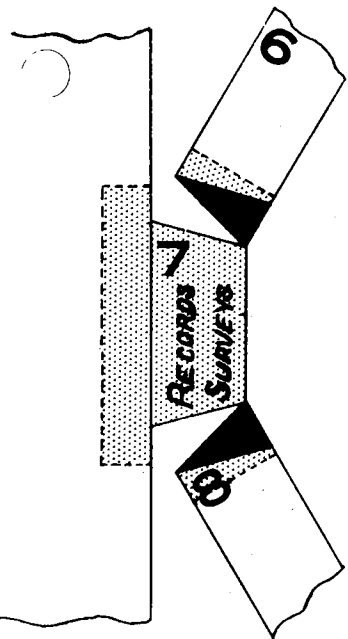
This proposal should draw support from Southern States (including Kentucky), which will benefit from their nearly 25 percent share of the new funds. Civil rights groups will also be pleased by the emphasis on the disadvantaged. Some Northern States, however, may object because, although their center city districts do well, on balance they do not fare as well as others (e.g., Rhode Island's increase is only one-third of the national average). The major cities, which are recipients of two-thirds of the funds, can be counted on for strong support.

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TITLE I

ESTABLISHMENT OF A NEW FEDERAL PROGRAM TO PROVIDE
MATCHING FUNDS FOR STATE COMPENSATORY EDUCATIONPROBLEM:

Title I is now funded at about 60% of full authorization. Rising costs will require substantial increases in funding simply to remain at a constant service level. At feasible rates of growth, the Federal Government is unlikely to reach "full funding" soon; yet the need exists now. Instead, providing federal matching grants to encourage states to expand their compensatory education programs, gets us more distance for each Federal dollar.

State compensatory programs vary considerably in size, targeting, and monitoring. Some use an achievement based, rather than a poverty based, definition of educational disadvantage. Generally, state programs serve many children who are less poor than Title I kids. The goal in establishing a matching program is to encourage development of state programs that are narrowly targeted, while avoiding Federal support of those that are "compensatory" in name only.

There is currently an existing incentive provision (part B of Title I) that rewards states whose total tax effort for elementary and secondary education exceeds the national average. But as structured, the existing provision has provided only negligible incentives. Moreover, the basis of the incentive — total state tax effort — is not closely geared to the purposes of Title I. Hence, in FY 1978, no funds were requested or appropriated under this provision.

PROPOSAL:

Repeal the existing part B, and enact a new section of Title I for matching grants. An extra 10% of each state's total Title I allotment would be authorized under this program to match qualifying state compensatory programs; the match would be one Federal dollar for every two qualifying state dollars. The matching money would be allocated to districts and schools within the state according to the basic provisions for Title I. A strong provision requiring districts to maintain existing fiscal effort would be included.

To qualify, a state would have to satisfy OE that expenditures for which it seeks the match meet criteria governing the basic Title I program, as follows:

1. Funds must be used for educationally or financially deprived children
2. Funds must be used for supplemental, compensatory purposes.
3. Funds must be used in a program that is evaluated.
4. Districts must be accountable to the state for compliance with criteria #1-3.
5. Most important, only those state funds allotted to Title I children in Title I eligible schools would qualify for the match. (Most state programs serve a broader range of students than Title I kids. But that portion of a state program that meets all five criteria would be eligible for the match.)

RATIONALE:

Education is primarily a state and local responsibility. Nineteen states have compensatory education programs, but only six spend more than \$20 million. This proposal should stimulate greater state responsibility for the special needs of disadvantaged children.

By limiting the match to state compensatory funds in Title I schools for Title I kids, criterion #5 establishes a strict federal standard which ensures that state programs are not compensatory in name alone. It preserves that integrity of Title I's focus on children in high-poverty schools.

COSTS:

None in FY 79; \$100 million in FY 80; \$200 million in FY 81; \$318 million in FY 82. These figures are rough because they depend upon how states respond to the incentive. It is unlikely, however, that most states would qualify for their full entitlement of 10% additional funding in the first few years.

POLITICAL REACTION:

Because matching will go only for state dollars that target on Title I eligible schools, strong supporters of Title I (civil rights groups, Perkins, Pell) will be supportive. But Perkins and other will object to excessive emphasis on Federal inability to provide full funding.

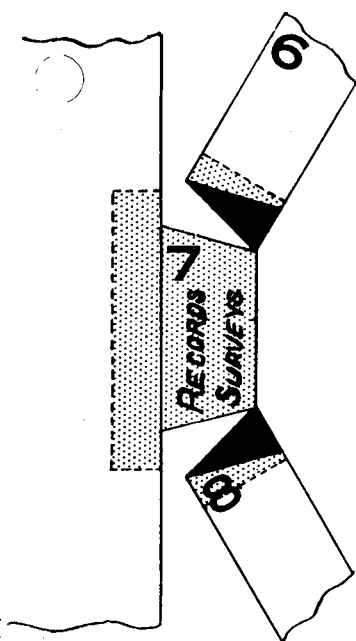
State groups such as the Education Commission of the States, National Conference of State Legislators, and Chief State School Officers will generally support this provision, but will view the criteria as far too strict. Each state will try to loosen the criteria so that its own program would qualify.

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TITLE I

ESTABLISHMENT OF A NEW DEMONSTRATION PROGRAM WITHIN TITLE I

PROBLEM:

Title I has not actively encouraged systematic local trial of new educational practices. As we try to focus Title I increasingly on quality, we must have a way to test ideas generated by local educators.

PROPOSAL:

Enact a new section of Title I establishing a demonstration program. Additional funds would be allocated for this program; a certain percent would be administered by the States, to award to districts on a competitive basis for development and evaluation of new programs; the remaining funds would be a discretionary account for the Commissioner, to assist States in planning competitions, to conduct applied research, and to disseminate findings.

Total funding would begin at 2 percent of basic Title I appropriations, and would rise over a four-year period to 4 percent.

As part of this proposal, the Follow-Through program would be merged into this new demonstration program. The merger would be phased in over a three-year period; in the first year, funding for Follow-Through would be 75 percent of the previous year, dropping to 50 percent in the second year and 25 percent in the third year. Thereafter, Follow-Through sites would compete for funds under the State demonstration program like any other project.

There would be a "hold harmless" provision in the demonstration program, guaranteeing each State the greater of (1) the amount that Follow-Through currently spends in the State, or (2) \$300,000.

RATIONALE:

Research has identified a number of conditions that characterize successful compensatory programs. There is a need to find how schools can create these conditions. For example, we know that parent involvement is associated with greater achievement; we must find ways to promote that involvement where it does not exist. Similarly, we need to discover ways to use summer schools, full-year programs, summer homework, and junior and senior high schools to sustain achievement gains of Title I children and to service low-achieving older students.

The limited funding of the Follow-Through program has restricted it to a small number of sites (168); it has effectively been conducted as a demonstration program. The experiment has been completed, and the results are not positive enough to justify continued preferential treatment of these sites. The hold harmless provision would cost only \$3-4 million a year, and should defuse much political opposition.

ALTERNATIVES REJECTED:

1. Provide no special demonstration funds. Although the best program improvements may come from local initiative to upgrade quality rather than a desire for more money, it was felt that there is a need and profitable opportunity for applied research and development that is closely related to school practice.
2. Fund these programs entirely from the Federal level, because States may have less administrative capacity and not enough money to support effective demonstrations. This was rejected because of a desire to stimulate State technical capacity and State interest in quality, the closer relation of States to LEA's, the chance to experiment with different demonstration programs, and the Federal management provided by the Commissioner's account.

COSTS:

None in FY 1979. The additional cost of the demonstration program plus the phase-out of Follow-Through, over the current cost of Follow-Through, would be \$60 million in FY 1980, \$75 million in FY 1981, and \$90 million in FY 1982.

POLITICAL REACTION:

Support from the Chief State School Officers, State Boards of Education, and State Title I Directors will vary with the extent of State administration of the program. Teachers and elementary school principals should support, as should the PTA's.

There will be strong, though somewhat scattered, dissent from Follow-Through advocates in the Congress. However, both the House and Senate Committees agreed earlier to our suggestions that Follow-Through be

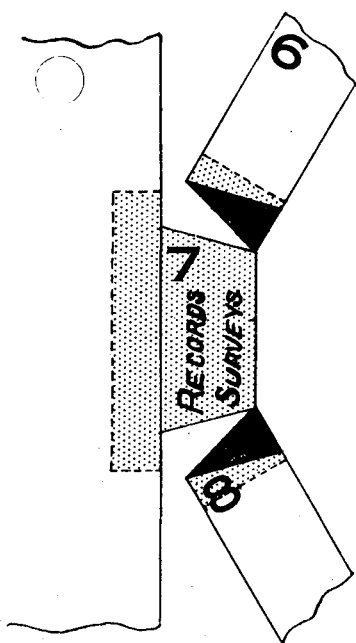
reauthorized for only one year instead of three. It is possible that the price will be greater funding of the overall demonstration program, or a slower phase-out of Follow-Through.

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TITLE I

ACCORD COMPENSATORY EDUCATION SERVICES IN THE REGULAR CLASSROOM
("MAINSTREAMING") EQUAL EMPHASIS WITH SEPARATE PROGRAMS FOR
TITLE I KIDS ("PULLING OUT")

PROBLEM:

Title I funds must be used to supplement, not supplant, non-federal funding. This requirement ensures that Title I monies are applied for compensatory education instead of being used as general aid to support the basic education program.

Districts thus must be able to prove that their Title I funds have supported supplemental, compensatory education. The easiest way to persuade auditors is to pull Title I children out of the classroom into a special program limited to Title I children; the Title I funding supports these special programs and can more easily be proven to be supplemental.

The statute does not require "pulling out," but the practice is prevalent. Though easier for auditing, "pulling out" is of uncertain educational value. It may inhibit school-wide planning that is associated with successful compensatory programs; it divides responsibility for a child's progress between two or more teachers; and some evidence suggests that pulling out may lead to lower achievement than "mainstreaming."

PROPOSAL:

1. Through administrative action, OE would make clear that the statute has never required pulling out, and give equal emphasis to models of "mainstream" compensatory programs that satisfy the "supplement not supplant" rule without pulling out.
2. Give states authority to waive the "supplement not supplant" rule for schools in which at least 80% of students are eligible for Title I funds in order to permit Title I funds to upgrade the entire school program. To qualify for a waiver, a school's funding from Title I and the state compensatory education program would have to equal 32% of the base program funded from state and local sources. The school would also be required to submit to the state a plan for upgrading the quality of the entire school program that (1) identifies how the compensatory needs of Title I eligible children would be met, (2) explains how the total school curriculum would be organized to meet the needs of all of the children, (3) requires parent and teacher participation in the planning, and (4) provides for formal evaluations at the school level.

RATIONALE:

1. It is important for OE to stress that pulling out, though prevalent, is not statutorily required, and to inform districts wishing to "mainstream" how to satisfy Title I's auditing requirements.
2. Once the percentage of poverty children reaches 80%, it makes little sense, and is cumbersome to enforce requirements that Title I funds serve only Title I kids, or that Title I services be supplemental in character. Whole school upgrading will dilute only slightly the dollars per Title I child. Districts should be allowed to decide that this dilution is outweighed by the benefits of collaborative planning, improving the entire program, and exposing Title I children to other students likely to be at a higher achievement level. An incidental benefit is that the non-Title I kids benefit from Title I funds and the whole school plan. However, it is essential that Title I children continue to receive services which meet their special needs.

The 80% cut-off point coincides with a recommendation of the Lawyers Committee for Civil Rights. Essentially, the exact percentage is arbitrary. However, we are doing some computer runs that may permit refinement of the cut-off point and provide a substantive argument for the point chosen.

ALTERNATIVES REJECTED:

Prohibiting schools from pulling Title I kids out of regular programs. This was rejected because (1) the evidence isn't clear enough to prohibit such a widely used practice, and (2) the Federal Government shouldn't tell schools how to structure programs.

COST:

None in FY 79 or out years.

POLITICAL REACTION:

On Part 1, many groups do not want mainstreaming to be barred and would support our statement; they include Association of State Boards of Education, Council of State Legislators, Lawyers Committee for Civil Rights.

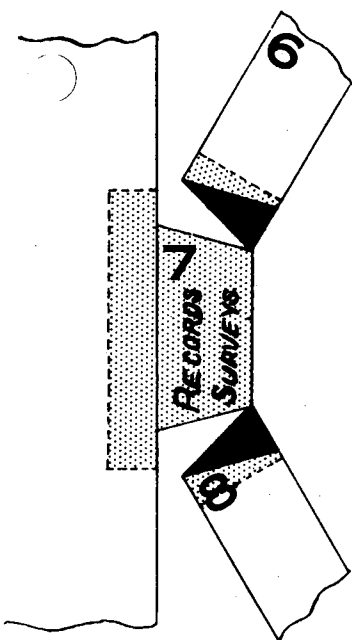
On Part 2, the AFT, Council of Great City Schools, Education Commission of the States, Elementary School Principals, State Boards of Education, Lawyers Committee for Civil Rights, and PTA favor the whole school approach. NEA opposes pullouts in any situation. Opposed to whole school upgrading are School Administrators, School Boards' Associations, and State Directors of Title I Programs.

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TITLE I -- PROGRAM QUALITY

REQUIRE ASSURANCES FROM DISTRICTS THAT TITLE I PROGRAMS INCLUDE PARENTAL INVOLVEMENT, TEACHER PARTICIPATION IN PLANNING, AND ATTENTION TO SUSTAINING ACHIEVEMENT GAINS BEYOND THE SCHOOL YEAR

PROBLEM:

Educational research has identified certain features relating to the success of compensatory education programs to which we would like to direct the attention of local districts:

- o Achievement gains are associated with parental tutoring in part because tutoring increases the time a child devotes to a subject, and time on task has been shown to correlate with achievement. Although parents help govern Title I programs through parent advisory councils, they tend to know little about, and take little part in, actual instruction.
- o Successful compensatory programs are associated with collaboration among the entire school staff, and with teachers' belief in their own efficacy; teacher training is a major contributor to that sense of efficacy. Educational reforms are unlikely to succeed where teachers have not had a hand in their development.
- o Student achievement in Title I programs typically rises during the school year, but does not persist over several years. This is attributable to drop-offs in achievement over the summer, the lack of Title I services in intermediate and secondary grades, and exclusion from Title I programs of some students whose high achievement one year disqualifies them the next.

PROPOSAL:

Require districts to file assurances with the State that they will:

1. Inform parents that their child is in a Title I program and what the instructional goals are for the program and their child, and give parents the right to obtain information about their child's progress. An additional option for parents would allow them to request materials from the school for them to aid in their child's education.
2. Involve teachers in planning and evaluating the Title I program, according to the district's own procedures. (For example, districts might establish a teacher advisory body to help plan, and might give teachers a voice in selecting or designing evaluation instruments).

3. Develop programs to sustain achievement gains beyond the school year and in the intermediate grades.

RATIONALE:

Requiring these assurances would encourage districts to develop educational practices associated with successful programs and to experiment with a variety of new approaches. Though the assurances are less than some would prefer, and monitoring and enforcement by each State would be more difficult than now, in many instances the proposal might succeed in improving achievement. (For example, research shows that even voluntary, low-key, and virtually costless efforts to involve parents have improved achievement). Where parent or teacher interest groups pick up on the assurances, they could prove particularly effective.

The present law requires some assurances; this proposal would supplement those already existing requirements. But it would preserve local flexibility, and avoid displacement of local initiative and responsibility by specific Federal requirements.

ALTERNATIVES REJECTED:

1. The status quo. There was considerable sentiment that the proposed assurances are too benign, will accomplish little, and will be impossible to enforce. Some people viewed them as a meaningless paperwork requirement. And it was suggested that there were other ways besides requiring assurances to encourage districts -- such as speeches, newsletters from OE, and so forth.

Those who reject this alternative of doing nothing believe that the paperwork requirements associated with the proposed assurances will be negligible and the assurances will be effective in many cases.

2. Instead of asking for assurances, we could go farther and require that districts meet certain specified standards for parental involvement, teaching participation, and sustained services. This alternative was rejected because (1) there would be political opposition to Federal imposition of program requirements; (2) there is no single universal model that the Federal government can recommend; (3) dictation from above may be counterproductive.

One much-discussed possibility would require teachers to draw up individual educational plans with each child's parent. At present the law contains a provision encouraging the use of such plans. This approach is of uncertain effectiveness, however, is quite costly and burdensome, and is strongly opposed by AFT, National School Board Associations, and State Title I Directors.

3. Require assurances from districts that they are teaching basic skills. This was rejected because (1) districts already are doing this; (2) declines in basic skills show up past the fifth grade, while Title I funds are concentrated in the primary grades; (3) there would be great controversy over a Federal definition of basic skills; (4) this could be regarded as a precedent for Federal control of curriculum, and (5) there is political opposition from the AFT, Association of School Administrators, National School Board Association, PTA, and State Title I Directors; only the American Personnel and Guidance Association is in favor.

COSTS:

None in FY 1979 or out years.

POLITICAL REACTION:

1. In favor of parent participation are the Council of Great City Schools, the National School Board Association, and New York State.
2. NEA and AFT will support greater teacher involvement in planning, and a 1974 House Report indicates Congressional sentiment in this direction.
3. In favor of expanded summer programs are the PTA, Lawyers Committee, and American Personnel and Guidance Association; opposed is the American Association of School Administrators. The PTA also favors extended junior and high school services.

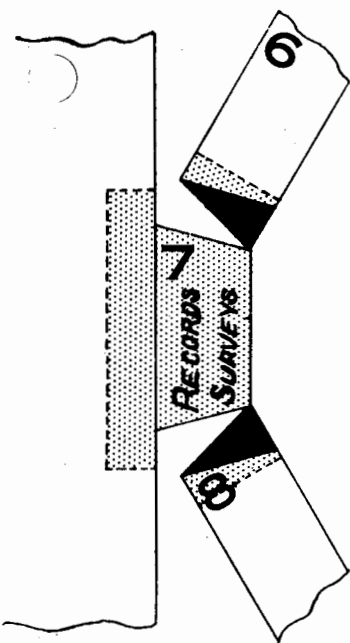
In all three areas, however, the support may be tepid in view of the lack of any commitment of additional Federal funds.

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6

TITLE I

INCREASED FLEXIBILITY OF HIGH POVERTY DISTRICTS
TO ALLOT TITLE I FUNDS TO SCHOOLS WITH LOWER
PERCENTAGES OF POVERTY CHILDREN

PROBLEM:

The bulk of Title I funds are granted directly to school districts, to be used in schools within the district for compensatory education. Under current law, a district may allocate these funds only to those schools whose percentage of poverty children is (1) greater or equal to the districtwide average, or (2) greater than 30%, whichever is less.

PROPOSAL:

Lower the percentage under criterion (#2) from 30% to 20% for those districts which receive compensatory funding (Title I or state monies which meet Title I standards) to equal at least 80% of the district's entitlement under full authorization. Include a "hold harmless" provision establishing a floor beneath per pupil expenditures in schools with more than 30% eligible children, based on the previous year's funding level.

RATIONALE:

Under current law, a school with 25% poverty children would be ineligible for funds if in a district with a 40% average, but eligible for funds if in a district with a 20% average. Lowering the threshold from 30% to 20% does not eliminate, but reduces, this anomaly.

Moreover, many high poverty districts will obtain substantial increases in funding due to overall increases in Title I funding and the new concentration provision. The proposal would permit these districts to allocate some money to serve needy children in schools whose percentage of eligible children is between 20% and 30%.

Of course, expanding the number of eligible schools dilutes the funding that would otherwise be available to schools above the 30% figure. Since this proposal per se does not change the district's total funding, giving more to some schools means less for others. But only those districts whose allotment has reached 80% of full authorization would be permitted the increased flexibility. And the "hold harmless" provision will present excessive dilution.

ALTERNATIVES REJECTED:

1. Permit all districts to allocate funds to any school in the district. This is rejected because it would permit too much diffusion of Title I dollars.
2. Use a nationally-uniform poverty cut-off in determining school eligibility, rather than a district-specific cut-off. This was rejected because a national cut-off would mean that virtually all schools would be eligible for Title I in high-poverty districts, and no schools would be eligible in low-poverty districts. This would eliminate funding for many districts now receiving funds, a politically unacceptable result.

COST:

None in FY 79 or in out years.

POLITICAL REACTION:

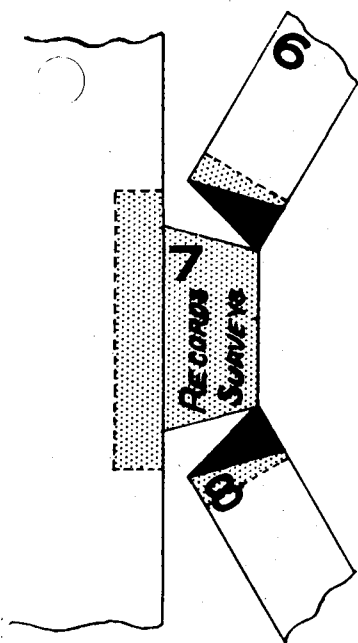
Lowering to 20% may draw some flak from civil rights groups, but the trigger mechanism limiting this to districts with 80% of full authorization and the "hold harmless" provision should defuse most of this.

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TITLE I

INCREASED FLEXIBILITY OF HEAVILY FUNDED DISTRICTS
IN ALLOCATING STATE COMPENSATORY FUNDS

PROBLEMS:

Title I funds must supplement, not supplant, non-federal money. This is to ensure that districts use Title I funds for additional compensatory education services, not merely as general support for basic educational programs.

This rule is applied to state compensatory education programs as well, and requires that districts allocate state compensatory funds to various schools without regard for the amount of Title I money that those schools receive. The allocation of state funds must be on the basis of state-established criteria for identifying educationally disadvantaged children, which are often based on achievement rather than poverty and generally are less narrowly targeted.

As state and federal compensatory education programs increase in size, a district may be receiving very large amounts of funds. The Title I funds must be allocated only to Title I schools. If state funds must be allocated on the basis of educational disadvantage, a large proportion may also go to Title I schools. At some point, the total state and federal funding of Title I schools becomes so large that it would make sense to permit additional state compensatory education funds to be allocated exclusively to non-Title I schools, to meet the needs of disadvantaged children there. But current law does not permit this, since Title I funds must go to Title I schools and state funds must be distributed to all schools (including Title I schools) that have children who are educationally disadvantaged according to the state standards.

PROPOSAL:

Once the amount of money received by Title I eligible schools from Title I and state compensatory funds combined equals the district's full entitlement authorized under Title I, a district can allocate additional state compensatory education funds exclusively for educationally disadvantaged children in non-Title I schools.

RATIONALE:

Once the funding of compensatory education in Title I eligible schools reaches 100% of full entitlement, the needs of Title I eligible children are presumably being met. There is no purpose in requiring districts to put additional state compensatory funds into these schools. Instead, the districts should be allowed to allot state funds for schools that do not receive Title I funding but whose students have a genuine need for compensatory education.

A limited number of districts will be affected; only in areas like California with especially large state compensatory programs will funding be large enough to qualify for the increased flexibility.

ALTERNATIVES REJECTED:

Several complicated proposals would have increased further the flexibility of districts to allocate state compensatory funds. These were rejected because they would undercut the purpose of Title I to ensure supplemental compensatory services to children in poverty schools. If we are to stand firm behind our proposed rejection of the Quie proposal (which would shift the standard of eligibility from poverty to low achievement), we must be consistent in ensuring that the poverty focus of the program is not lost.

COSTS:

None in FY 1979 OR OUT YEARS.

POLITICAL REACTION:

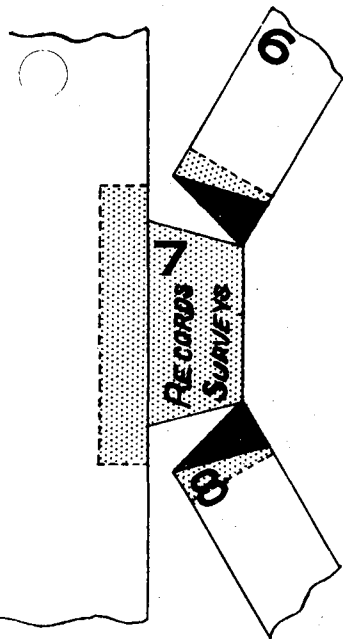
This proposal is based largely on the work of the Lawyers Committee for Civil Rights. They and other groups should support it. It will be popular with representatives of states with compensatory programs (California, Florida, Pennsylvania, Massachusetts).

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TITLE I

SHOULD THE STATE-OPERATED PROGRAMS FOR THE HANDICAPPED BE TRANSFERRED FROM TITLE I AND INCORPORATED INTO P.L. 94-142 (THE EDUCATION FOR ALL HANDICAPPED CHILDREN ACT); IF SO, HOW SHOULD THIS BE DONE?

PROBLEM:

In 1965 Congress authorized a distinct program within Title I to provide supplementary educational programs to State supported institutions and schools for handicapped children. The program was created at a time when other Federal funding for handicapped children was negligible.

Under this program, project grants are channeled first through State Departments of Education, then through State agencies to individual schools which are supported by the agencies. The funding formula is identical to the basic Title I LEA formula (40 percent of current per pupil expenditures in each State, subject to a floor and ceiling.)

Congress also provided that the entitlement to eligible State schools and institutions for the handicapped would be full funded, off-the-top of the total Title I appropriation. In FY 1979, \$145 million will be used to provide about \$519 per child. Current actual costs range from \$3,000 to \$5,000 per pupil.

In 1975, P.L. 94-142, the Education for All Handicapped Children Act, was enacted. The Act requires that States and localities provide "a free, appropriate public education" for handicapped children by September 1, 1978. The Act provides funds for States based on the number of handicapped children to be served.

In FY 1978, the Federal government is authorized to pay 10 percent of the excess costs of educating these children; 20 percent in 1979; 30 percent in 1980; and 40 percent in 1981 and beyond. At the level in our proposed budget, FY 1979 actual payments will be at about \$150 per child or 14 percent of excess costs.

By 1982, the amounts authorized under P.L. 94-142 are expected to equal the payments under the Title I program. However, at present rates of increase in the education budget, it is quite unlikely that the actual appropriation will reach the authorized level by 1982.

The Title I Handicapped program is presently administered in the Bureau for the Handicapped, not in the Title I office. However, the regulations for this program are different than for other Handicapped programs.

PROPOSAL:

Effective 12 months after the passage of the ESEA Amendments, the P.L. 89-313 program will be operated under the same set of rules and assumptions as the P.L. 94-142 program, pursuant to the regulations of that program published in the Federal Register.

OPTIONS FOR ACTUAL TRANSFER:

We believe that the transfer of the authority for this program out of Title I and into the Education for All Handicapped Children Act is a sensible move. There are three options for doing so which appear to be viable but each has its own problems:

- o Option 1: Transfer the Title I program to P.L. 94-142, transfer to be effective when the appropriated per child amount in P.L. 94-142 is equal to that under Title I.
- o Option 2: Effect the transfer immediately but "freeze" the payments for the State program at their current level until per pupil appropriations for P.L. 94-142 reach that level.
- o Option 3: Effect the transfer immediately and retain the full funding feature of the State programs.

The basic difficulty with Option 1 is that it is somewhat phoney; only if the P.L. 94-142 budget reaches the full 40 percent of excess costs (a total appropriation of about \$4 billion compared to our 1979 request of \$940 million) would the transfer be effected. This is not likely by 1982 and we may not wish to signal such an intention.

This option has the advantage of being politically acceptable precisely because it has no effect until very large amounts of money are appropriated.

Options 2 and 3 both may have political problems:

- o Option 2 will be unacceptable to the handicapped groups because of freezing the payment level in the face of future cost increases.
- o Option 3 will be perceived as "taking money away" from the other handicapped programs (although the transfer would be the current budget, as well as the authority).

In essence, supporters of this program simply judge that in the aggregate more money will flow to handicapped programs if there are two "pockets" than if there is only one. There will be some level of opposition to any proposal which effects a real change.

RECOMMENDATION:

With consolidation our tentative goal, we must do in-depth consultation on the Hill to see whether — and in what precise fashion — such consolidation is feasible. A proposal to phase-in the consolidation over time — as expenditures per pupil under each Act begin to merge — seems most feasible.

ALTERNATIVES REJECTED:

1. Leave in Title I: It makes sense administratively to combine the two programs, instead of continuing two separate authorities; the original rationale for its location in Title I no longer exists.
2. Immediate transfer to P.L. 94-142 with no hold harmless. This would result in a significant lowering of payments to State agency children. This would be politically infeasible and poor policy. The children receiving funds under the State program are the most seriously impaired of all children. The cost of providing free appropriate public education for these children may require up to five times the cost of services to the less severely handicapped child counted under P.L. 94-142. A reduction of Federal support would be detrimental to the quality and nature of services delivered to these children.

COSTS:

None in FY 1979 or out-years. However, Option 1 raises issue whether to full fund P.L. 94-142, since transfer would not be triggered until this is reached.

POLITICAL REACTION:

Interest Groups

Several of the institutions, agencies and organizations representing handicapped schools and disability groups have opposed a change in the location of the program authority for the Title I handicapped program. Although these groups represent relatively small constituencies, they are very vocal. The Council for Exceptional Children, a significant organization in the area of special education, has indicated a willingness to consider alternative proposals for change in the Title I program if these proposals do not result in sharp funding declines for the schools involved.

Congressional Reaction

Both Senate and House appropriations and authorization staff have indicated an interest in discussing the future placement of the Title I State program in P.L. 94-142 and adjustment of the funding payment rates. (A February 1, 1978, report is due from the Department to the Senate Appropriations Committee detailing the need for a Title I handicapped set-aside, given the existence

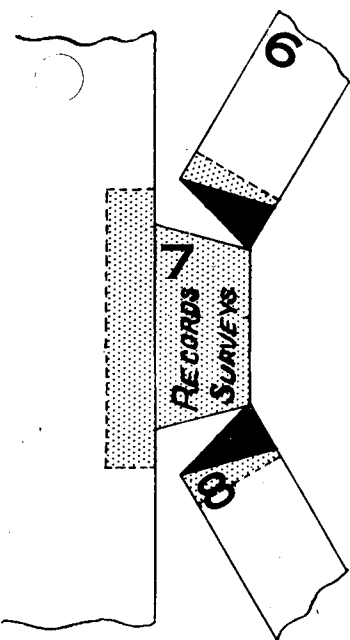
of P.L. 94-142). Congressman Quie has indicated a position of support for transfer of the Title I program to P.L. 94-142. Congressman Brademas is opposed to a transfer although the specific proposals have not been tried out on him.

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TITLE I

EXPAND THE ROLE OF STATES IN MONITORING AND ENFORCING TITLE I AND PROVIDE ADDITIONAL ADMINISTRATIVE COSTS FOR STATES TO MEET INCREASED RESPONSIBILITIES

PROBLEM:

The statutory and administrative guidelines explaining the respective Federal and State responsibilities for Title I program oversight are neither clear nor comprehensive. This has resulted in ineffective enforcement at the Federal level and inconsistent efforts by States. The only effective oversight has been through the audit process, which takes place after the funds in question have been spent. Several recent studies have been highly critical of Federal and State monitoring and enforcement.

Title I currently authorizes payments to States for administrative activities of 1% of the Title I award, with a base minimum of \$150,000. The administrative activities include monitoring, technical assistance to local education agencies, application review, enforcement compliance, funds disbursement, dissemination of information, and management of State-operated programs.

The 1974 Amendments increased the responsibilities of the States without increasing the set-asides and, as a result of inflation, less can be accomplished with the funds. Even greater responsibilities are proposed in these recommendations (e.g., management of demonstration programs, coordination of Federal and State compensatory programs including matching provision, increased requirements for auditing, monitoring and complaint resolution). In addition, the general strategy of enlisting States to become more active partners with the Federal Government in promoting compensatory education should result in increasing efforts at the State level in the future.

Although States differ in the quality of performance and the costs of carrying out their responsibilities, there is general agreement that the current set-aside is inadequate.

PROPOSAL:

Provide an increased role for the States and greater structure and clarity for Federal activities in monitoring and enforcing Title I:

- O Amend the General Education Provisions Act (GEPA) to set a general framework for a comprehensive and systematic monitoring and enforcement policy, which would apply to all State formula education programs. For example:
 - o The Commissioner would require States to develop monitoring and enforcement plans, and to investigate all complaints; and
 - o States would be authorized to suspend or terminate funding for an LEA which does not meet program requirements, and the Commissioner would be authorized to obtain cease-and-desist orders for activities which violate statutory or administrative requirements.
- O Amend the Title I statute to provide specific responsibilities to the Federal Government and to States. For example:
 - o States would be required to submit a monitoring and enforcement report every two years, and to investigate and settle all complaints.
 - o Minimum OE requirements would be established for monitoring State and local education agencies.
- O Increase the set-aside to pay States for added administrative costs, contingent upon accepting proposals for increased State responsibilities. In order to receive an increase in payments, States would be required to submit to the Commissioner for approval a plan for expenditure of the funds. The percentage for the State set-aside would continue to be calculated against the Part A LEA grants and the State-operated program grants, but would not be applied against the concentration, the demonstration, or the State-matching funds. If there is to be no increase in State responsibilities, there would be no increase in payment.

RATIONALE:

- O It is impossible for the Federal Government to effectively monitor the activities of 14,000 school districts throughout the country. State responsibilities must be increased.
- O The proposal provides the basic specifications for a clear, consistent, and systematic monitoring and enforcement process for Title I. Though more explicit than current law, it would leave considerable discretion to the Commissioner.

- O This proposal should meet many of the concerns of the Civil Rights groups, which have criticized the Title I monitoring and enforcement effort.
- O While data on which to base more precise cost estimates or assess State performance to date are not presently available, it is apparent that the current set-aside is inadequate to achieve expanding Federal/State partnership in the administration and funding of compensatory education. Although some States will receive significant increases in FY 1978 and FY 1979 resulting from increases in Part A LEA grants, these will little more than offset inflationary demands of the past five years. States receiving the minimum will not experience any increases.

Any increase to the set-aside must be commensurate with the proposed expansion of the State role in monitoring, auditing, technical assistance, and overall program administration.

ALTERNATIVES REJECTED:

- O Accomplish change through regulations and administrative decisions only. Though this approach is possible, it would neither assure continuity between this and future Administrations nor meet the concerns of the Civil Rights groups.
- O Amend GEPA to include general language related to Federal and State monitoring and enforcement with no change to Title I. This was rejected as insufficient to meet Civil Rights groups' concerns and because it permits multiple interpretations.
- O Amend Title I to provide a comprehensive and specific plan leaving little room for interpretation (Rep. Chisholm's statutory proposal). This was rejected as overly specific with excessive paperwork and no flexibility for implementation through the regulations process.

COST:

Assuming that the basic LEA grants and State-operated program grants will be roughly \$3.2 billion in FY 1980, we estimate that any increase in the set-aside will divert not more than \$16 million from the LEA program. Out-year increased costs would be minor.

POLITICAL REACTIONS:

Representative Chisholm and the Lawyers Committee for Civil Rights favor the approach containing the most detail and least flexibility. They believe that legislative specificity strengthens the process and ensures continuity across Administrations. However, most critics of Title I administration will applaud the Administration's desire to legislatively clarify Federal and State responsibilities and procedures, and provide for strong administrative enforcement action.

State organizations will be very supportive of the set-aside increase. Civil Rights organizations will support it if requirements for States increase — particularly in the areas of auditing and enforcement. Most other education groups will support the proposal. Only the National Association of School Boards has expressed any real opposition.

TITLE VII - BILINGUAL EDUCATION OVERVIEW

A. Current Purposes

Title VII is a discretionary program with a FY 1978 budget mark of \$135 million. It was first established in 1968 and subsequently amended in 1974 with the following objectives:

- o Encourage the establishment and operation of programs using bilingual education practices, techniques, and methods.
- o Develop and disseminate effective models of bilingual education.
- o Establish training programs for teachers to teach in a bilingual setting.
- o Conduct studies to determine the effectiveness of bilingual education, establish a national clearinghouse, and survey the number of children and adults with limited-English speaking proficiency.

B. Current Operation

In the 1976-77 funding cycle, 427 bilingual education projects were funded covering 68 languages in 42 states, the District of Columbia, American Samoa, Guam, Puerto Rico, Trust Territories of the Pacific, and the American Virgin Islands. Projects in Puerto Rico are designed to teach Spanish as a second language to youngsters returning from the mainland.

The FY 78 budget for the program provides:

- o \$81 million for project grants
- o \$37 million for training grants
- o \$17 million for support services

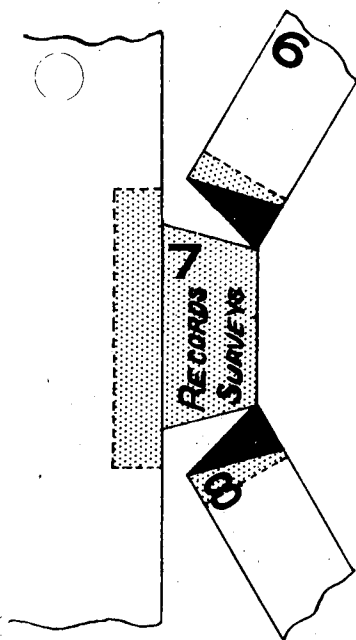
The FY 79 request includes an additional \$11 million for research and evaluation as well as a \$4 million increase for training purposes.

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BILINGUAL EDUCATION

TO WHAT EXTENT, IF AT ALL, SHOULD BICULTURAL INSTRUCTION BE A GOAL OF TITLE VII? SHOULD THE PROGRAM EMPHASIZE TRANSITION TO ENGLISH OR MAINTENANCE OF THE NATIVE CULTURE AND/OR LANGUAGE?

PROBLEM:

The current statute provides that limited-English-speaking children shall be given instruction in English and "to the extent necessary to allow a child to progress effectively through the educational system, the native language of the children and such instruction is given with appreciation for the cultural heritage of such children". This definition of bilingual education emphasizes the goal of acquiring competence in English. Review of program operations and an impact evaluation of Title VII reveal, however, that in practice many students stay in bilingual classrooms after they have gained proficiency in English. Fund recipients often choose to place minority students in Title VII classrooms because of the cultural activities in those classrooms, whatever the students' language proficiency may be.

PROPOSAL:

Confine the Federal program role to preparing youngsters to make the transition to a monolingual English school environment. Tighten program administration to this end.

Retain the current statutory language regarding appreciation of children's cultural heritage. Step up research efforts to determine the relationship between bicultural instruction and learning English.

RATIONALE:

Limited Federal funds and the limited state-of-the-art in bilingual education dictate that the program goal should be to prepare youngsters to benefit from instruction in English.

Bicultural instruction is recognized as a means to reach that goal, but the nature of its contribution is inadequately researched. Portions of the Part C funds would be used for research in this area.

ALTERNATIVES REJECTED:

1. Change purpose of Act to support a maintenance program.
2. Substantially increase emphasis on biculturalism in the Act.
3. Eliminate reference to culture in the Act.
4. Increase the appropriation for the Ethnic Heritage Program (now targeted on white ethnics).

COST:

Part of the requested \$11 million increase in FY 79 for Part C will be used for research on biculturalism. Out year costs of new activities under Part C are being developed.

POLITICAL REACTION:

Hispanic interest groups will be disappointed that biculturalism has not been endorsed as a goal for the Title VII program. They have already expressed to the DNC and the Vice President a strong desire to move in this direction. Senators Kennedy and Cranston will be heavily lobbied on this issue.

The House will support re-emphasizing the transitional nature of treatment for limited-English speakers. It would oppose a new emphasis on culture, particularly in the absence of research evidence on the effectiveness of cultural maintenance.

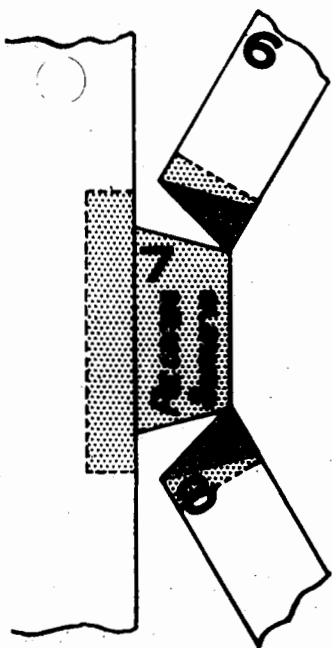
All groups will support the new emphasis on research.

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TIME LIMITS AND NON-FEDERAL CONTRIBUTIONS FOR BILINGUAL PROJECTS

PROBLEM:

The limited state-of-the-art in bilingual education does not permit shifting Title VII from a capacity building/demonstration mode to a service mode. How then do we avoid having the program become a quasi-service program for current grantees? Many Title VII projects have been operating in excess of five years, and their Federal funds are no longer being used to "demonstrate" an educational concept but rather to provide services. Given limited Federal funds, this situation discriminates against non-recipient schools.

PROPOSAL:

Explore with key members of Congress the possibility of establishing a five-year eligibility period for Title VII projects. The same LEAs could continue to receive funds after the five-year period so long as they initiated new projects in different schools, languages and/or grade levels.

Gradually reduce each project's Federal funds over the five-year period. SEAs/LEAs would be required to pick up a steadily increasing share of program costs and would be required to indicate in their initial application how they would do so.

POSSIBLE RATIONALE:

Prevents Title VII from becoming a quasi-service program for current grantees, like Follow-Through. However, an LEA could continue to receive funds for new projects in different schools, languages or grade levels. Requires a state and local commitment to bilingual education before Federal funds initiate projects.

This reform will be impossible to accomplish through regulations, as was attempted in 1974, due to political pressures from current grantees.

POLITICAL REACTION:

Bilingual interest groups generally favor the proposal because of the requirement that SEAs/LEAs assume steadily increasing shares of program costs. Current grantees will pressure Congress to reject the proposal as they did in 1974. The provision for new eligibility in different schools, languages and/or grade levels may reduce this opposition.

States currently receiving the bulk of Title VII funds (California, Texas, Illinois and New York) already have substantial bilingual education programs of their own and should support the reform.

EMERGENCY SCHOOL AID ACT

A. CURRENT PURPOSE

Established by the education amendments of 1972 with a FY 79 budget request of \$290 million, ESAA has three statutory purposes:

- o meet the special needs incident to the elimination of minority group segregation and discrimination;
- o encourage voluntary elimination, reduction or prevention of minority group isolation in schools with substantial proportions of minority group students; and
- o aid school children in overcoming the educational disadvantages of minority group isolation.

B. CURRENT OPERATION

ESAA originally had eight program categories:

- o state apportionment programs — basic grants, pilot projects, and non-profit organization grants
- o discretionary programs — bilingual, educational television, metropolitan area grants, special projects and evaluation.

Three new programs were added by the education amendments of 1976: magnet schools; neutral site planning; and pairing with businesses and universities.

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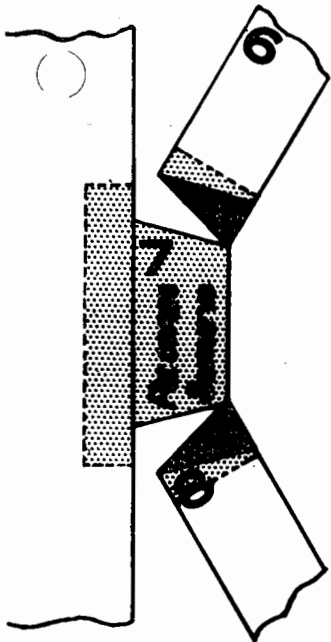
Three new programs were added by the education amendments of 1976: magnet schools; neutral site planning; and pairing with businesses and universities.

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EMERGENCY SCHOOL AID ACT

CAP OR PHASE OUT OF STATE APPORTIONMENT FORMULA

PROBLEM:

A large portion of ESAA's funds are reserved under a state apportionment formula. In FY 78, \$187 million of a total appropriation for ESAA of \$276 million was reserved under the state apportionment formula. The apportionment funds are distributed on the basis of each state's school-aged minority population, as compared to school-aged minority population nationally. Within each state, HEW ranks each district's application according to statutorily-based criteria, which emphasize (1) how well the district's plan would serve a number of desegregation objectives, and (2) how much the plan reduces isolation of minority groups. Apportioned funds are then awarded to districts until the funds are used up.

The statute's purpose is to provide emergency assistance to districts during their transition to desegregation. States with high minority populations, however, are not necessarily the states with the greatest current desegregation activity.

One can identify three rough purposes for which ESAA funds have been or could be used:

1. To provide assistance to major new desegregation "emergencies", such as a major plan in a Northern city which may include interdistrict and metropolitan desegregation efforts.
2. "Second generation" problems of districts that have largely desegregated school populations. These include:
 - o Disproportionate use of discipline against minority students.
 - o Tracking procedures that lead to segregation.
 - o Misplacement of minority students in special education.
 - o Discriminatory employment practices by school districts.
 - o Segregated extra-curricular activities.
 - o Career counseling that guides minority students to low-paying jobs.
3. General aid to fund compensatory education.

The limited ESAA funds available (FY 79 request is \$290 million) cannot meet all these needs. The state apportionment formula heavily favors the South because of the Southern States' high proportion of minority population. Due

to the early desegregation activity in the South, however, most of the funds there are used as general aid for compensatory education, with some funds for second generation problems. Our priorities, however, should be just the opposite: an emphasis on emergency transitions and some funding for second-generation problems, but none for general aid.

Effecting such a shift in targeting would raise two genuine problems: first, we must define criteria that permit funding of the legitimate problems of "second generation" schools; and second, eliminating the apportionment will generate great political opposition from the South.

PROPOSAL:

We propose to begin exploring with key Members of Congress various alternatives for capping—or eliminating on a phased basis—the State apportionment formula, to permit greater flexibility in spending ESAA funds, to give greater emphasis to meeting the needs associated with major new desegregation activity. Spending criteria would include the list of the "second-generation" problems outlined above, to permit funding for Southern schools (or other schools) who face those problems.

RATIONALE:

ESAA funds are limited. The State apportionment prevents targeting of funds on the most pressing problems. Its elimination is particularly important given the pressing needs of many Northern cities. For example, in 1978 Columbus, Cleveland, Cincinnati, Wilmington and Los Angeles are expected to come under court order. These five cities together will need in the range of \$35 million to carry out their court-ordered plans. By contrast, the total State apportionment in California, Ohio, and Delaware combined is only \$11 million — and most if not all of those funds will already have been committed to other districts in the State and hence will be unavailable to these cities. Absent a major increase in total funding, there is a critical need to shift funds from the South to more pressing problems in the North.

There is clear consensus within the Department that the proposal made is sensible. There is also an appreciation of the political difficulties involved. Yet the consensus of HEW officials was that we should present our "pure" plan, and then be prepared to negotiate a compromise with the Congress. A phased implementation is partly to defuse political opposition, and partly to provide time for OE to establish new criteria, and to give current grantees a chance to adjust to them. The new criteria, by recognizing "second-generation" problems, would also help defuse Southern opposition by making money available for problems faced by Southern schools. But there is also a strong case on the merits for funding districts to deal with these problems.

If we are required to retreat from our "pure" position, possible strategies include (i) a hold harmless, (ii) a longer phase-in period; (iii) a gradual phase-in, reserving a declining proportion of the total funding to be apportioned to states on the basis of minority population; and (iv) reserving a fixed sum (such as \$100 million) to be apportioned by state.

POLITICAL REACTION:

Civil rights groups should support the proposed shift. The real political battle will be between those who lose from eliminating the apportionment.

Perkins is against the shift. Even though his district and state may not lose a great deal, he is under pressure from Southern Congressmen. Only three of the 37 members of the House Education and Labor Committees are from Southern States. Twelve of 37 committee members in the House, and three of 15 committee members in the Senate, are from California, Ohio, and Pennsylvania. These legislators can be expected to support us.

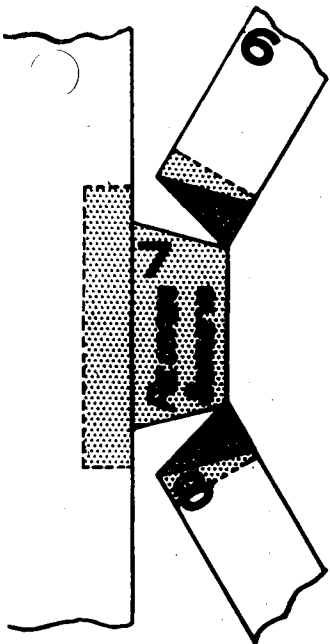
Current ESAA grantees in Region IV (Atlanta) would like a shift in just the opposite direction from that proposed, including eliminating the word "Emergency" from the Act's title and turning this into general aid at higher funding levels.

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EMERGENCY SCHOOL AID ACTINCREASED INCENTIVES FOR STATES AND METROPOLITAN AREAS
TO UNDERTAKE DESEGREGATION ACTIVITYPROBLEM:

Federal policy has not tapped the resources of the States in attempting to desegregate schools. Federal matching incentives might enlist the help of some states in combating discrimination.

Although metropolitan remedies are often the only way to achieve substantial desegregation, ESAA does not currently provide authority for States to develop and implement metropolitan desegregation plans.

Although school districts are authorized to apply for pre-implementation funds under Title IV of the Civil Rights Act, to do so they must admit they have a segregation problem and be prepared to redress it. Most school boards are unwilling to take such action voluntarily.

PROPOSAL:

1. Provide matching grants to states that undertake enforcement activities and provide technical or financial assistance to desegregating districts. The matching ratio was not precisely determined.
2. Provide authorization for planning grants to states for metropolitan and interdistrict desegregation.
3. Provide a limited amount of funding to local school districts who see desegregation problems on the horizon and wish to plan to prevent their occurrence.

RATIONALE:

Only nine states have significant desegregation programs of their own. Matching grants may expand these efforts and encourage new ones, thus creating a new partnership between Federal and state governments.

Judicial limitations on the availability of metropolitan remedies in court cases make statutory funding of voluntary interdistrict desegregation especially appropriate.

Currently, local school districts may receive pre-implementation assistance from Title IV of the Civil Rights Act but only after a judicial determination of non-compliance.

COSTS: No additional costs in FY 79. Thereafter, the funding for the matching grants to states would come out of the overall appropriation. We estimate that not more than \$11 million dollars of state spending would qualify the first year for the match. If the program increased significantly in years thereafter, we might wish either to seek commensurate overall budget increases, or to establish a set-aside which would operate as a limit for the matching program.

POLITICAL REACTION:

State interest groups should favor the matching provision for state plans. Even providing planning money for districts not yet determined to be in violation of the Civil Rights Act will be controversial, especially with civil rights groups.

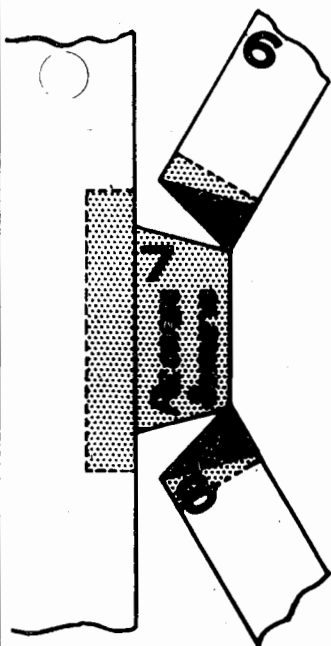
EDUCATIONAL
QUALITY ACT

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EDUCATIONAL QUALITY ACT

SHOULD THE EXISTING AUTHORIZATION FOR NUMEROUS NARROW PROGRAM CATEGORIES BE CONSOLIDATED INTO FOUR BROAD CLUSTERS OF AUTHORITY TO PURSUE EDUCATIONAL QUALITY?

PROBLEM:

The proliferation of separate programs under the Special Projects Act, and the other miscellaneous programs, has many drawbacks:

1. Administrative Complexity. Each program has separate application forms, reporting requirements, monitoring activities, and hiring authority. This fragmentation impedes local schools seeking Federal aid and increases their paperwork burdens, while impairing Federal administrative efficiency.
2. Rigidity and Inability to Meet Emerging Needs. The separate programs, because they are narrowly categorical, limit HEW's ability to meet current needs. For example, a portion of the \$2 million for drug abuse education cannot be shifted to sex education; some of the \$10 million for career education cannot be shifted if gifted and talented children have more pressing needs.
3. Lack of General Authority for Program Innovation and Demonstration. The Commissioner has very limited authority for program innovation and demonstration, outside of the above Congressionally-created categories. For the most part, our priorities are set not by exercise of Executive Branch leadership, but by the Congress.

PROPOSED REFORM

A new Educational Quality Act would consolidate most parts of the Special Projects Act and most of the miscellaneous programs into four basic clusters. What follows is a preliminary version of how the consolidation might be structured.

1. Basic Skills:

Right to Read (revised to deal broadly with Federal leadership in Basic Skills)

2. Special Skills:

Arts in Education
Environmental Education
Global Perspectives (new)

3. School Reform:

o School-Home Program

Parents as Educators in the Home (new)

o School-Community Programs:

Community Schools
Integrated Service Schools (new)
Drug Abuse Education
Adolescent Pregnancy (new)
Magnet Schools
Consumer Education

o School-Work Programs:

Career Education
Youth Employment (new)

o Gifted Student Program:

Gifted and Talented

4. Teacher Development:

o Teacher Training

Teacher Corps
Teacher Centers
Teacher Development Coordination (new)

o Teaching Resources

Educational TV Programming
Technology Demonstrations (new)
Library Demonstrations (new)

In each cluster, there would be a new broadly-worded authority for funding demonstration projects, basic and applied research, providing technical assistance, and disseminating information.

Appropriations would be made to each cluster. There would be no separate appropriations for the existing programs that would be folded into these clusters. For example, if there were \$15 million appropriated for the Special Skills Cluster, all of that money could be spent for activities that used to fall within the Arts in Education Program; or all of it could be spent

for Environmental Education. The only limit would be that the appropriation for each entire cluster must be as large as the sum of its current parts; Special Skills, for example, would have to get at least the current total appropriated for Arts in Education and Environmental Education.

There would also be an additional discretionary account, to permit program development and innovation in emerging areas.

In each of the four clusters, and in the discretionary account, funding would be available for unsolicited proposals, often small in amount, "bubbling up" from the grassroots—for example, a teacher's proposal to test a new profile in his or her classroom.

Remaining programs which do not fit into the clusters (Women's Educational Equity, Ethnic Heritage Studies, and Metric Education) would be operated separately.

RATIONALE FOR REFORM:

1. Clean-up and Simplification of Administrative Structure. Consolidation would permit use of common application forms, reporting requirements, monitoring methods, and hiring authorities. It would produce a simpler and more efficient administrative structure that would benefit both HEW internal operations and grantees throughout the country.
2. Increased Flexibility in Funding Projects. By merging a dozen separate programs into four broad categories, we would be free from the constraints of twelve different appropriations that must be used for narrowly defined purposes. We could shift the money around to meeting pressing needs. The discretionary account would add substantial flexibility.
3. Broader Authority for Program Quality Reform. Instead of a number of narrow authorizations, we would have four broadly-worded ones. The four together would cover virtually any quality project that HEW might wish to fund. We would no longer have to worry about shoe-horning a project into a narrow category, or having to seek additional authorization before undertaking a new initiative.
4. Development of A New Federal Leadership Role. The Federal government has never had a major, broad-based program-development effort intended to address a wide range of quality issues. The lack of such a program is an anomaly that should be remedied. Although in many ways the Federal role in education is limited, the Federal government is uniquely positioned to develop quality programs:
 - o It can muster greater funding than a State or local agency.
 - o It has broad access to institutions, expertise, and other resources.
 - o It can select the best proposals submitted from all across the country.

- o It can serve as a national clearinghouse, ensuring that educational advances get the widest possible dissemination.
 - o Since the projects will have beneficial fallout nationwide, it can appropriately spread the cost of projects across taxpayers from 50 States.
5. Increased Funding. The expansion of authority to undertake nearly any project in the area of quality, the streamlining of administrative structure, and the definition of a new Federal leadership role are strong reasons for major increases in funding for these new clusters. We would hope that in each cluster, appropriations would reflect significant increases over the existing programs that would be consolidated. And the discretionary account also provides increased resources to meet important emerging needs.

EXAMPLES OF AREAS TO BE PURSUED

The following exemplify projects that might be conducted under the Educational Quality Act:

- o Improvement of basic skills achievement.
- o Involvement of parents directly in the instruction of their children.
- o Development of summer programs and summer materials to offset fall-offs in achievement.
- o Development of effective ways to use new technologies like television and video-disc.
- o Reform of urban schools and development of magnet school projects.
- o Development of schools which integrate social services with education.
- o Linkages between business, or institutions of higher education, and high schools.

COSTS

The FY 78 funding for the separate program categories to be consolidated is \$166 million. The FY 79 request—which does not reflect this new authorization—is \$210 million. Upon enactment of the Educational Quality Act, we would hope to obtain a supplemental appropriation to bring the FY 79 total to \$302 million.

POLITICAL REACTION

There are two somewhat conflicting currents from Congress:

1. Many Congressmen have expressed approval of the idea of consolidation, simplification, and innovation. Carl Perkins recently told Education Commissioner Ernest Boyer that he favored consolidation. The emphasis on educational quality should be popular.
2. Many Congressmen and interest groups have pet projects. For example, Brademas likes Environmental Education; he might be concerned about HEW's power to wipe out all funding for this program.

The only facet of the proposal that responds in any way to this kind of concern is the requirement that, in each cluster, the total funding must be at least as much as the programs that were funded into it. But the mere fact that the funding for the Special Skills Cluster, for example, would have to be at least as much as the sum of current appropriations for Arts in Education and Environmental Education, does not prevent HEW from spending all the money for activities other than Environmental Education. We will have to be flexible and must be prepared to respond to Congressional concerns.

There could conceivably be a series of battles, either in 1978 when we ask for authorizing legislation, or in each fiscal year on the Appropriations Bill, in which Congress would try to restore specific allotments to narrow programs.

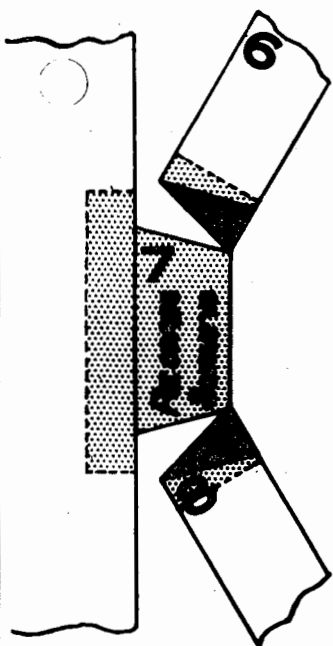
IMPACT AID

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IMPACT AID: MAINTENANCE AND OPERATIONS (P.L. 81-974)PROBLEM:

The purpose of the Impact Aid program is to compensate local school districts for the cost of educating children when enrollment and availability of local revenues are adversely affected by Federal activities in the area. However, the program compensates for some children who do not constitute a significant Federal burden. Examples include payments for children whose parents live and/or work in Federally subsidized public housing and payments for children whose parents are employed on Federal property outside the county in which the school district is located. In addition, Impact Aid is often targeted on districts that are wealthy or lightly impacted. Finally, payments are calculated using methods that are imprecise, disequalizing and subject to abuse.

PROPOSAL:

Proposed reform will be accomplished in two steps:

- o Step 1 of reform will be reflected in the FY 1979 budget and includes elimination of payments for children whose parents work on Federal property outside the county in which the school district is located, ("out-of-county" "B" children) reduction for lightly impacted districts, and simplification of the way in which payments are calculated.
- o Step 2 will take effect in the second year of reform. It includes the reforms of Step 1 and eliminates entitlements for public housing children.

These reforms will be phased in through hold harmless provisions which will allow districts losing support to adjust gradually to lower funding levels. When fully implemented, the reforms will eliminate payments for 2,500 out of 4,000 districts which currently receive Impact Aid.

RATIONALE:

This proposal will improve the ability of the program to compensate for Federal burden.

The reforms will eliminate payments for over 800,000 public housing and out-of-county "B" children who do not constitute a Federal burden:

- o Payments for public housing children. While there is an additional burden that concentrations of low-income families place on school districts, it is not simply a function of the number of poor who live in Federally assisted low-rent housing projects. We believe

a more comprehensive approach should be adopted to provide additional assistance to local educational agencies serving high concentrations of children from low-income families regardless of whether they live in low rent housing.

- o Payments for children whose parents are employed on Federal property outside the county in which the school district is located. These children do not represent a tax loss to their districts. Their parents pay local residential property taxes and the tax loss associated with the Federal property on which they work is experienced by another district.

In addition, when the reforms are fully implemented, payments will be eliminated for nearly 2,500 districts which are wealthy and lightly impacted. Program funds will be targeted on about 1,500 heavily impacted, low property wealth districts.

ALTERNATIVES REJECTED:

The FY 1978 budget proposal, which called for elimination of payments for all "B" students was rejected, since some "B" children are clearly associated with a tax loss to districts (e.g., military "B" children).

COSTS:

\$726 million in FY 1979, a savings of \$86 million. By 1982, the reforms should result in savings of about \$300 million below estimated costs of the current program.

POLITICAL REACTIONS:

During negotiations with the Congress on the FY 1978 budget, the Chairmen of the House authorizing and appropriations committees which have jurisdiction over the Impact Aid program requested Secretary Califano to conduct a comprehensive review of the program and make recommendations to the Congress regarding more effective ways of providing assistance to elementary and secondary education. In addition, the Budget Committees have indicated a desire for gradual reform of Impact Aid.

On the other hand, since Impact Aid is provided to school districts located in nearly three-fourths of the Congressional districts, many members may oppose reforms.

This proposal will encounter strong opposition, particularly from the Impact Aid lobby.

Opposition to elimination of public housing payments can also be expected from urban, and perhaps minority, lobby groups. However, funding of the proposed Title I concentration provision should more than offset losses to cities from Impact Aid reforms.

Within the Administration, HUD has indicated opposition to the elimination of public housing payments, as have members of the Vice President's staff.

ADULT
EDUCATION

ADULT EDUCATION

OVERVIEW

PROGRAM PURPOSE: Encourage the establishment of programs of adult public education that will enable all adults to continue their education to at least the level of completion of secondary school and secure training that will enable them to become more employable, productive, and responsive citizens.

PROGRAM COVERAGE: In fiscal year 1976 there were slightly more than 1.5 million participants in this program. 1970 Census data indicate that 52 million adults over age 16 have not completed high school.

FUNDING: FY 1978 - \$90,750,000. Authorization is \$200 million.

PROGRAM OPERATIONS: The program distributes funds to State Education Agencies based on a census count of adults who do not have a high school diploma or its equivalent. At least eighty percent of the funds must be spent on the content and skills usually taught in grades K-8. Local schools and agencies which apply to the States for grants provide the instruction.

To qualify for Federal money, however, a State is required to match Federal funding at a ratio of 1 to 9. That is, for every \$100 that a state spends in a program receiving Federal funds, at least \$10 must come from state sources.

REQUIREMENTS: States must submit plans assuring that such activities target appropriately at K-8 level, meet the 10% matching requirement, and coordinate with other programs.

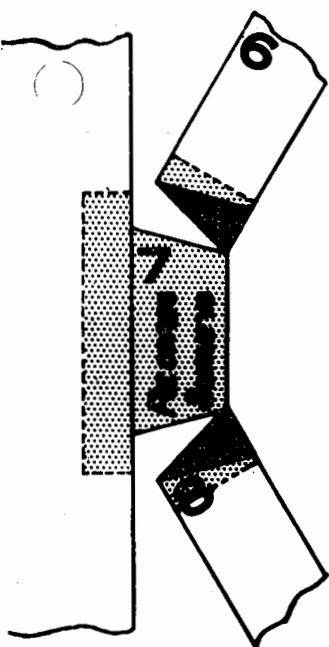
EFFECTIVENESS: The existing program has had limited effectiveness. Evaluation data indicate that adults achieve at a rate roughly equivalent to that of children. Problems persist: (1) recruitment problem — those most in need are often least likely to seek services; (2) retention problem — many adults leave prior to fulfilling their needs; (3) limited State and local leadership; (4) spotty coordination with Department of Labor and other training programs; (5) a general failure to involve non-educational groups; and (6) an inadequate research base on the most effective means to improve adult literacy.

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ADULT EDUCATION

SHOULD THE PRIMARY PURPOSE OF THE ADULT EDUCATION ACT BE LIMITED TO ENABLING ADULTS TO COMPLETE SECONDARY SCHOOL, OR SHOULD THIS PURPOSE BE EXPANDED TO INCLUDE FUNCTIONAL LITERACY? SHOULD THE DELIVERY SYSTEM BE EXPANDED AND NEW INSTRUCTIONAL APPROACHES INTRODUCED?

PROBLEM:

To date, the primary purpose of the Adult Education program has been to help adults continue their education through secondary school. Attainment of a high school diploma or its equivalent is highly important in terms of one's mobility in society. However:

- o There are many adults who lack basic skills who are not interested in obtaining a high school diploma. These adults may have a critical need to develop literacy skills necessary to hold a job or to function generally in society.
- o There are many adults who have a high school diploma who lack basic skills.

The limited effectiveness of the existing program is attributed in part to the fact that school districts are almost the exclusive delivery mechanism at the local level for adult education. Such programs are often provided in a public elementary or secondary school in the evenings, and are taught by a part-time teacher. This set of elements, combined with a curriculum often more relevant to children and adolescents, creates a situation not particularly attractive to the needy adult student. The result, we believe, is that many fail to seek services, and those who do often fail to remain in the program.

In 1974, Congress specifically removed Federal discretionary authority for research, development, dissemination, and evaluation (RDD&E) activities in Adult Education. Authority for such activities was given to the States, who are now required to spend at least 10 percent of their Federal funds for these purposes. Although some States have used their authority in this area to introduce significant innovations, such innovations remain isolated and have little or no nationwide impact.

PROPOSAL:

1. Expand the purpose of the Adult Education Act to include an emphasis on functional literacy.

2. Expand the delivery system at the local level to include such groups as community colleges, businesses, community action organizations, etc. In order to facilitate this expansion, one year planning grants will be provided to State Departments of Education. These grants would be to set up a participatory process for identifying literacy needs within the State and development of a coordinated strategy to meet those needs. The participatory process will involve local education agencies, business, industry, community organizations, etc.

These planning grants will support efforts to: (1) develop annual program plans for the second year of the new legislation; (2) develop new instructional approaches; (3) expand and extend the delivery system to allow adult education services to be provided by any agency, organization, program, or group which can most effectively facilitate the learning of the target population; and (4) develop a more varied delivery system which would involve instruction at the workplace or public libraries, and use of television instruction.

Changes in the existing methods for providing adult education would take place gradually, as a consequence of procedural changes keyed to the planning processes, rather than by direct program mandates.

3. Restore authority at the Federal level for RDD&E. This authority should be given to the Secretary. These funds would be used to continue to improve the state of the art in Adult Education. Activities would include but not be limited to:

- o research on the most effective instructional approaches and delivery systems
- o examination of student motivation
- o further development of instruments for measuring functional literacy
- o demonstration of effective projects and practices.

In order to encourage State initiatives in innovative activities, and for political reasons, we propose to continue the set-aside at the State level.

RATIONALE:

1. This expanded purpose indicates Federal Government recognition of a major problem—that many adults cannot read or write sufficiently well to function in modern society. At the same time, efforts to assist those adults who desire to attain educational credentials such as the high school diploma will continue. To a large extent the two aims are complementary, as functional illiteracy and the lack of a high school diploma are highly correlated.

2. Among the most important expected benefits are increased program effectiveness and greater motivation on the part of adults to enter and remain in the program. This increased motivation is expected because:
 - o a more flexible delivery system should make entry into the program more convenient and attractive;
 - o content of curriculum and courses is based on immediate needs of the adult (e.g., learning to read a job advertisement) rather than using traditional elementary and secondary school content;
 - o preliminary research data from pilot projects in New York and Texas show attrition rates from 12 to 16 percent, while the national average is over 40 percent.
3. A major hindrance to development of more effective adult basic education programs is the absence of sufficient RDD&E activities. Federal role in this area is well established and needed.

ALTERNATIVE REJECTED:

Replace the primary focus on obtaining a high school diploma with a primary focus on functional competency. The importance of the high school diploma in our society should not be minimized.

POLITICAL REACTION:

- o In general, very favorable to proposed reform.
- o All constituency groups testifying in Congressional oversight hearings on the Adult Education Act and during public hearings conducted by HEW support addressing problems of functional illiteracy as a basic purpose of Act.
- o Fourteen (14) States are now developing comprehensive systems involving instruction in functional competencies.
- o Additional 33 States have invested in special projects to test the usefulness of the functional competency approach.
- o Because Federal set-aside for RDD&E activities will be in addition to existing State efforts, no opposition is expected. In fact, all major constituency groups, including the National Advisory Council on Adult Education, support this proposal as long as the State set-aside for RDD&E is retained.

- o The reaction to the proposal on expanded delivery is unclear. In some States both State education agencies and local school districts will be reluctant to accept any expansion of the delivery system. The reform proposal assumes an effort to educate all parties on the wisdom of the expansion. Relatively strong opposition can be expected from education groups to the inclusion of profit-making organizations as eligible grantees.

COSTS:

We do not estimate extra costs in FY 1979 for expansion of the delivery system and introducing new instructional approaches. We estimate \$10 million for planning grants in FY 1980, and in FY 1981, the program would grow from \$100 million to \$130 million. Subsequent growth would depend on factors that include success of reform, possible further growth in recipient population, and separate funding for recruitment incentives.

For the research and evaluation effort, we estimate no additional costs for FY 1979; \$5 million for 1980; \$10 million for FY 1981; \$15 million for 1982; and \$20 million for FY 1983.

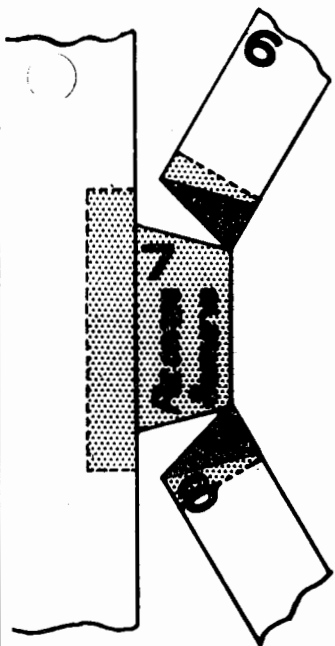
Actual budget requests beyond FY 1980 will depend on program needs and our ability to use such resources effectively.

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EQUALIZATION (PROMOTION OF SCHOOL FINANCE REFORM)

WHAT SHOULD THE FEDERAL GOVERNMENT DO TO STUDY, ASSIST, OR PROVIDE INCENTIVES FOR PROGRAMS TO PROMOTE WITHIN-STATE EQUALIZATION?

PROBLEM:

- o There is dramatic variation in expenditures per pupil among the districts within States. In most States the difference between high and low spending districts reaches a ratio of one and a half or two to one. Such spending differentials result in marked disparities as measured by pupil-teacher ratios, training and experience of staff, availability of facilities, equipment, and counseling services. However, such disparities are poorly correlated with income average family income.
- o As a general, though not a universal rule, spending levels seem higher in school districts when property values per pupil are higher.
- o Urban areas face special fiscal problems because of heavy demands against their deteriorating tax bases to support other municipal services. High proportions of pupils with costly educational needs require added spending levels. High teacher and salary levels compound the problem.
- o Because high cost pupils are not randomly distributed, their costs pose fiscal problems for selected districts in every State.
- o Some educational inequalities can be traced to school finance inequalities, but many cannot.
- o In some cases school finance patterns work against the purposes of Federal aid programs.
- o There is great political pressure for a Federal role in equalization; Perkins has introduced a major bill to stimulate HEW to do something.

PROPOSAL:

1. Defer proposing any new programs of direct financial assistance for within State equalization.
2. Commence a concentrated Federal effort to develop a long-term strategy for achieving State school finance reform, through an integrated system of school finance research, technical assistance and dissemination activities, and grants to States to enable them to continue developing solutions to financing inequities.

RATIONALE:

Equalization will be very costly: for example, to equalize 90 percent of all districts so that per pupil expenditures are within 5 percent of each other would cost an estimated \$12.5 billion. Present budget constraints and needs for Title I, handicapped, and student aid programs preclude any such substantial commitment, or even a signal that we regard the actual funding of equalization as a Federal responsibility.

We currently lack sufficient knowledge in this area to propose any specific programs. We do not know how to characterize "needy" districts, we do not know whether we should care about needy districts or only about needy students, and we do not know whether money spent to assure equality of outlays is an efficient way of helping needy children.

We do not know to what extent inequalities of educational outlays are an acceptable expression of diverse State and local tastes and at what point they become an educational problem.

Some inequalities in expenditures among and within States, however, are excessive. Some States have equalized outlays. The Federal government's national perspective and unique central administrative position and research role are qualities that can facilitate the development, dissemination, and implementation by States of solutions to this problem. Further study will indicate whether the Federal government should develop a major program to promote equalization, and if so, how it should be structured.

Congressman Perkins has introduced a bill which would pay States that reduce interdistrict variations in per pupil expenditures (to less than 10 percent), a subsidy of \$600 per child. Fully implemented, this proposal would cost about \$25 billion. While he may not push for this expensive a program, the proposal clearly signals his interest in equalization. Given this, we should not remain entirely passive on the issue.

ALTERNATIVES REJECTED:

1. Make available a Federal add-on or bonus of up to 20 percent of each State's grants under Federal categorical education programs, as an incentive for State equalization.
2. Provide a \$1 billion Federal incentive of general education support to be used by States for improving equalization.
3. Provide a Federal equalization incentive to focus on districts of high poverty concentrations (this is one of the proposals submitted in our Urban Initiative).

These alternatives were rejected for the reasons set forth under "Rationale".

For the same reasons, we also rejected various proposals to seek modest adjustments in ESEA renewal legislation in categorical programs (such as the Education for All Handicapped Act and Impact Aid) to harmonize Federal aid formulas with State equalization proposals. An example of one such categorical program is the Impact Aid law. This law permits States with effective equalization laws to count Impact Aid as local revenues, thus decreasing the amount of State aid they will have to provide such districts.

A regulation which establishes, as a test for effectiveness, the range of variation in per pupil expenditures within a State already exists. A regulation which would establish an alternative test, based on the extent to which a State's revenues financed by taxes assure that wealthier districts do not have a revenue advantage over poor districts making equivalent tax efforts, is under preparation. A notice of proposed rulemaking has been published.

COSTS:

\$10 million in FY 1979; \$8 million in FY 1980; \$7 million in 1981.

POLITICAL REACTIONS:

Some will be dissatisfied because the proposal offers little in the way of direct cash incentives to promote State school finance reform. On the other hand, some will argue that States will be more effective than the Federal government because they are closer to local school finance problems. Research and dissemination money might be better spent on equivalent activities at the State and local levels. Opposition to our efforts can be tempered if we indicate, when presenting our proposals, that we are aware of the problem and are concerned about it.

There is general, but vague, support in the Congress for a significant Federal effort, especially from representatives of urban and poor rural districts. We believe that our proposal, in combination with the new concentration provision, stands a good chance of forestalling major Congressional efforts until we have a clearer sense of what we should do. Many interest groups also favor a Federal effort, including the National Conference of State Legislators, State Education Agencies, and EEO groups.

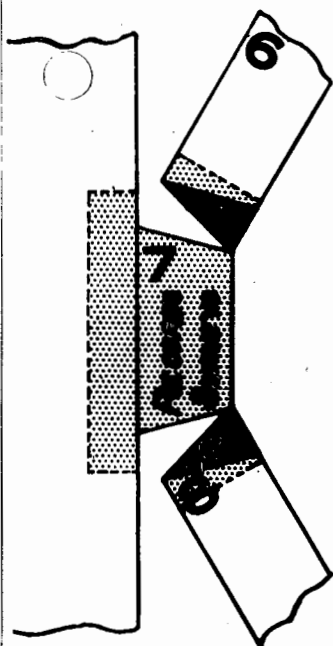
PRIVATE
SCHOOLS

**HOW TO USE
THESE SEPARATORS**

Use one page for
each separation.

Select appropriate
tab, add further
identification if
desired, and cover
it with scotch
tape.

Cut off and discard
all tabs except the
one covered by tape.



Private Schools

What actions, if any, should the Federal Government take to increase services for children in private schools?

PROBLEM:

The principal Federal programs that authorize services to children in nonpublic schools are Titles I and IV of the Elementary and Secondary Education Act. Title I requires local educational agencies to provide for the participation of private school children "on an equitable basis". Title IV contains a similar requirement and in addition requires that per pupil expenditures under Title IV for programs for such children be "equal" to those for public school children, taking into account the needs of individual children and other factors.

Title I specifies that services and arrangements for private school children may include dual enrollment, educational radio and television, and mobile educational services and equipment. Similarly, Title IV authorizes the provision to such children of "secular, neutral and nonideological services, materials, and equipment", and indicates that benefits should be provided in private schools to the extent "feasible and necessary."

Under both programs, control of funds and title to such materials and equipment must remain in a public agency, and the projects must be under public supervision and control.

The legislative history of Title I, although not the Title I statute, specifies that services may be provided on the premises of a private school. Title I regulations specifically authorize equipment to be placed on private school premises, but require administrative control over such equipment to remain in a public agency. Those regulations also authorize public school personnel to provide special services (therapeutic, remedial, welfare, health, guidance and counseling services as well as school breakfasts) on the premises of a private school, but again subject to public administrative direction and control. Title IV regulations also specifically authorize services, materials, and equipment to be provided on the premises of a private school.

Despite existing legislation and regulations, children enrolled in private schools have in some States not been provided sufficient opportunities to share in the benefits of Federal elementary and secondary education programs. Private school interest groups attribute this to what they perceive as (1) the slowness of OE in responding to their complaints about inadequate services and (2) the reluctance of OE to invoke the authority under which the Commissioner may "by-pass" State and local educational agencies and provide directly for services for private school children when those agencies are prohibited by law or otherwise fail to provide equitable services.

An effort is currently under way in OE to improve the handling of complaints alleging inequitable treatment for private school children. The "by-pass" authority is being used in 4 school districts in Missouri, and proceedings have been started against 5 of the largest school districts in Virginia.

CONSTITUTIONAL ISSUES:

Litigation involving these programs is currently pending in several jurisdictions which calls into question the constitutionality of providing certain services on private school premises, and related practices. At issue in the courts are the following:

- (1) Whether Title I remedial services may be provided on the premises of private schools. (Committee for Public Education and Religious Liberty v. Califano, U.S. District Court S.D. NY).
- (2) Whether equipment purchased under Title IV may be loaned to private school children for use on private school premises. (Downey v. Thompson, U.S. District Court, Wisconsin).

The Supreme Court has recently struck down as unconstitutional a number of State programs in Ohio and Pennsylvania that provided for the loan of instructional materials and equipment for use in private schools and the provision of auxiliary instructional services on private school premises. However, the Court has upheld the loan of textbooks to private school children, on-premises diagnostic and welfare services, as well as therapeutic and remedial services provided by public personnel in mobile units parked off private school premises, neutral sites, or public school premises. Wolman v. Walter.

The Court's decisions are difficult to rationalize in this area but the line the Court has seemed to draw is between instructional services, which it has prohibited, and other auxiliary services (health, welfare) which it has permitted.

Our problem is that we may already be beyond the bounds of what the Supreme Court would permit in terms of the amount and types of services provided under Federal programs for children in private schools. Any expansion would certainly raise additional constitutional problems. Our best strategy, therefore, would be simply to improve on the way in which the present requirements of law are being carried out.

PROPOSAL:

- o Require States to include in their annual plans a description of their past and planned efforts to ensure equitable services for private school children.
- o Under Title I, require comparable per pupil expenditures for children in private schools who have the same needs as children in the public schools.
- o Provide funds for added staff capacity in States to deal with these enforcement issues.
- o Seek out ways of indicating concern by the Federal Government for children attending private schools. For example, an Executive Order could be issued requiring that representatives of private school interests be placed on advisory committees.

RATIONALE:

The provision of additional requirements for States in their enforcement efforts may help convince private school interests of our commitment to private school children. OE would also gain additional tools for enforcement, and we would not risk compromising our litigation position in pending cases.

ALTERNATIVES REJECTED:

1. Attempt to deal with the restrictions imposed by the Supreme Court in recent decisions by eliminating on premises instructional services, but requiring an equitable share of Federal funds to be

used for private school children through programs that the Court has approved, such as the loan of school books, additional diagnostic services, and additional general welfare services. While this alternative represents a genuine attempt to address a difficult area, it may confuse the issues surrounding pending litigation and would not likely be supported by private school interests since it would amount to a retrenchment from existing policy.

2. Support the Packwood-Moynihan proposal for tax credits for expenses incurred in sending children to private elementary and secondary schools. While this alternative would be genuinely welcomed by private school interests, and might reduce somewhat the pressure caused by the difficulties of ensuring adequate services under State and LEA operated programs, it would be very expensive and is probably unconstitutional under recent Supreme Court decisions which struck down State programs providing such tax credits.

COSTS: None

POLITICAL REACTION:

Private school interests will support these proposals. The Congressional committees are also likely to support them. NEA and public school interests may be annoyed, but these proposals are consistent with existing requirements to serve private school children.